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IN THE

# Supreme Court of the United States

October Term, 1965
No. 366

McCULLOUGH TOOL COMPANY, *et al.*,

*Petitioner,*

*vs.*

WELL SURVEYS, INCORPORATED, *et al.*,

*Respondent.*

**Petition for a Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit.**

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McCULLOUGH TOOL COMPANY, *et al.*,

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*Respondent.*

## Petition for a Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit.

McCullough Tool Company, Robert W. Pringle, Kenneth I. Roulston, George M. Brownell, and Philip W. Martin, Petitioners herein, pray that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Tenth Circuit entered in the above-entitled case on March 17, 1965.

## OPINIONS BELOW.

The Opinion of the Court of Appeals for the Tenth Circuit (App., pp. 1a-57a) is reported at 343 F. 2d 381. The Opinion of the U.S. District Court for the Northern District of Oklahoma (App., pp. 61a-117a) is reported at 199 F. Supp. 374.

## JURISDICTION.

The Judgment of the Court of Appeals for the Tenth Circuit was entered on March 17, 1965 (App. p. 58a). A timely petition for rehearing was denied on April 20, 1965 (App. p. 59a). The Court of Appeals for the Tenth Circuit granted a stay of the issuance of the mandate of that court pending disposition of a Petition for Writ of Certiorari to this Court provided that such Petition was filed on or before July 19, 1965 (App. p. 59a).

The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

## QUESTIONS PRESENTED.

1. Is a license under a package of patents, which requires payment of royalties on all activities within a "field" or "royalty base" intentionally defined in terms sufficiently broad to include operations covered only by the licensor's own expired patents,[1] a "royalty agreement which projects beyond the expiration date . . ." of the expired patents and hence unlawful *per se*?[2]

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[1]The court below held:

> ". . . The record . . . shows that the royalty base in many, if not all, of the license agreements includes operations covered by patents that expired after the agreements were entered into by the parties.[8]
>
> "[8]These are, of course, the Bender Reissue Patent which expired on October 18, 1955, and the Fearon Patent which expired on January 12, 1960." (App., pp. 51a-52a)

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[2]In *Brulotte v. Thys Co.*, 379 U.S. 29, 13 L.Ed. 2d 99, 85 S. Ct. 176 (1964), this Court announced the rule that:

> ". . . the use by patentee of royalty agreements that project beyond the expiration date of the patent is unlawful *per se*." (13 L. Ed. 2d 102).

2. Did respondent, which offered no evidence that the anticompetitive consequences of its past illegal acts had been dissipated, purge its sixteen-year period of misuse of the patents in suit by the mere abandonment of some but not all of the practices found to be illegal coupled with an offer to "negotiate" with respect to other practices found to be illegal which, in fact, were not terminated but continued after the date of the alleged purge?

3. Does the third paragraph of 35 U.S.C. 112 change the pre-existing law by expanding the scope of equivalents of an ingredient of a claim for a combination of old elements to include ingredients not known at the date of the patent but actually invented thereafter?

4. Does the constitutional "standard of invention" permit a construction of 35 U.S.C. 103 which would impart patentability to claims for a "combination" of old elements where the whole does not in some way exceed the sum of its parts?

## CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED.

Article I, Section 8, clause 8, of the Constitution of the United States provides:

"The Congress shall have Power

* * *

"To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries; . . ."

35 U.S.C. 103 provides:

"§103. Conditions for patentability; non-obvious subject matter

"A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made."

35 U.S.C. 112 provides:

"§112. Specification

"The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

"The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

"An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof."

35 U.S.C. 154 provides:

"§154. Contents and term of patent

"Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, for the term of seventeen years, of the right to exclude others from making, using, or selling the invention throughout the United States referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof."

## STATEMENT OF THE CASE.

In these consolidated cases Respondent Well Surveys Inc. has charged Petitioner McCullough Tool Company with infringement of three patents relating to radioactivity well logging. Petitioner defended on the ground that respondent's patents are invalid, are not infringed and are unenforceable by reason of misuse. Both the courts below held that respondent's patents were valid and infringed but unenforceable because of misuse for the period beginning June 11, 1940 and continuing until June 1, 1956 when the misuse was purged. Judgment was entered against petitioner for infringement occurring from and after June 1, 1956.

This petition presents the case of an industry in which competition has been effectively restrained since its inception in about 1940 by a plurality of illegal patent licenses. The licenses currently in use by respondent are of the "package" type. These package licenses have been carefully and successfully drawn to project respondent's royalty income from its basic or "pioneer" patents far beyond their expiration date. This litigation

followed petitioner's refusal, as one of respondent's major competitors, to become a party to such agreements.

Essential to respondent's scheme is an unexpired patent for a combination of old elements held valid and infringed by petitioner below.

In direct conflict with 35 U.S.C. 112 and the decisions of this Court, the tribunals below found infringement on the basis of an alleged equivalence between petitioner's device and that disclosed by respondent's patent, notwithstanding the fact that petitioner substituted for one of the old elements of the claimed combination a new element which was neither known nor invented as of the patent date.

In sustaining the validity of the "combination" patent the lower courts disregarded the standard of invention required by the patent clause of the Constitution as elucidated by this Court.

## THE PATENTS IN SUIT.

The three patents in suit relate to the logging of oil wells by radioactive means. The logging apparatus consists of a tool lowered by a cable into the well bore. The tool is responsive to the natural radioactivity of the formations through which the well bore passes. The natural radioactivity may be enhanced by a radiation source such as an X-ray or a neutron-producing device incorporated into the tool. Signals reflecting such variations are carried through conductors within the cable to the surface of the ground, where a recording or "log" is produced in the form of a trace or line. The "log" is useful in locating oil-bearing formations.

The Bender Reissue patent No. Re. 23,226[3] was characterized by the Court of Appeals as "A primary or pioneer patent . . . to be given broad and liberal construction. . . ." (App., p. 36a). The pioneer Bender patent discloses and claims the basic concept on which all radioactivity well-logging is predicated. Bender discloses both natural gamma ray well logging and the use of an X-ray source to enhance the natural radioactivity of the formation. The pioneer Bender patent expired in 1955, but respondent still collects royalties for the use of the Bender invention.

The patent to Fearon, No. 2,308,361,[4] matured from an application filed in September of 1941, three years after the "pioneer" Bender patent No. 2,133,776 issued on October 18, 1938. The only difference between Fearon and Bender is the substitution of a neutron source of radiation for the X-ray source specifically taught by Bender. Both radiation sources were old prior to the Fearon invention. Fearon did not issue until January 12, 1943. The Fearon patent extended respondent's monopoly in the neutron-logging species of the pioneer Bender invention almost six years beyond the expiration date of the Bender patent. Fearon expired on January 12, 1960, but respondent still collects royalties for the use of the Fearon invention.

Respondent did not file the application for the patent to Swift, No. 2,554,844[5] in suit, until March 23, 1946, and the patent did not issue until May 29, 1951. In Swift, respondent simply associated in a single tool an old magnetic casing collar locator and the old radioactivity formation logging device of Bender.

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[3]R. Vol. VII, pp. 1100-1104.
[4]R. Vol. VII, pp. 1105-1108.
[5]R. Vol. VII, pp. 1109-1113.

The old collar locator, like the logging device of Bender, was lowered into the well on a cable. It "located" and reported through the cable to the surface the various "collars" by which the lengths of pipe forming the well casing were connected.

In the Swift assembly, the logging tool sends a continuous signal to the surface of the ground where it is recorded by a pen. The collar locator sends a signal in the nature of a surge of current through the same cable to the surface of the ground each time a casing collar is passed. In the specific arrangement shown in the Swift patent, the arrangement is such that the surge of current from the collar locator completely shuts off or interrupts the signal from the logging tool. Collars are indicated by the recording pen returning to the zero position when the logging signal is interrupted. The trial court expressly found:

> "63. Magnetic casing collar locators and radioactivity well logging systems were separately known long prior to the invention of the Swift patent. It was also old long prior to the invention of the Swift patent to transmit multiple signals over a common conductor." (App., p. 89a-90a).

The claims of the Swift patent are broad and functional. They cover any type of logging tool used in association with any type of casing collar locator.

Such an association of a collar locator and a logging tool is useful in connection with some of the operations performed by well surveying equipment. It is this Swift patent which respondent now utilizes to induce payment of royalties on Bender which expired in 1955 and Fearon which expired in 1960.

## THE ILLEGAL LICENSING PRACTICES OF RESPONDENT.

Both courts below found respondent guilty of misuse during the time period from June 1, 1940 until June 1, 1956 when it was held that a "purge" had been effected (App., p. 55a; p. 117a).

The acts of respondent held to constitute the "purge" were effective only *in futuro*. Respondent merely abandoned some of the illegal practices of which it was guilty and offered to "negotiate" with respect to others which were not in fact terminated.

Respondent presented no evidence showing that competitive conditions, as of June 1, 1956, were the same as they would have been but for respondent's illegal practices. At least two royalty agreements which both courts found illegal were still in effect for at least six months after the June 1, 1956 "purge" date.[6]

Respondent, even as of the date of the judgment below, has continued to collect royalties for operations under its "pioneer" patent to Bender which expired in 1955 and under its Fearon patent which expired in 1960.

Respondent circumvented its obligation to dedicate the subject matter of these spent monopolies by utilization of a package license—a legal device commonly employed in the industry for that very purpose.

Respondent purposely associated the expired Bender and Fearon patents in a "package" of more than 50 patents including the Swift patent which had not expired.

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[6]Ex. 502, Second Book of Contracts, Agreements Nos. 26 and 30.

Respondent's package license requires royalties to be paid on all operations within a defined "field" of "radioactivity well surveying". The definition of the "field" was carefully drawn to include operations exclusively under the expired Bender and Fearon patents as well as under the various patents, including Swift, which had not expired.

These agreements were deliberately framed—not for any convenience of accounting—but for the sole purpose of projecting respondent's royalty income on the expired Bender and Fearon patents.

Thus by far the major portion of the "field" in which respondent collects royalties is in the public domain by reason of the expiration of Bender and Fearon. The express purpose of this arrangement was to perpetuate the Bender and Fearon monopolies. It cannot be excused under the guise of "convenience of accounting", as respondent insists, *Cf. Automatic Radio Mfg. Co. v. Hazeltine Research,* 339 U.S. 827, 94 L. Ed. 1312, 70 S. Ct. 894 (1950).

**June 11, 1940 to April 16, 1951.**

Respondent Well Surveys, Inc. was organized in 1939 —only one year after the "pioneer" Bender patent issued in 1938. It immediately embarked upon an illegal plan to secure exclusive possession of the market for radioactivity well logging apparatus which it foresaw would arise in connection with the practice of this newly invented logging method.

As a first step in this illegal scheme, respondent sought early in 1940 to acquire control of Bender which was then owned by Lane Wells Company.

The acquisition was accomplished by a contract dated June 11, 1940.[7] By this agreement all of the relevant patent rights of the two companies were consolidated in respondent. Lane-Wells was granted an exclusive license to practice radioactivity well surveying for others for hire, but *no* license to manufacture or sell apparatus.

This early contract was found to constitute a misuse by both lower courts. The objectionable features condemned by the courts below were:

(a) A requirement that Lane-Wells procure from respondent all radioactivity well logging equipment which it utilized; and

(b) A provision which foreclosed Lane-Wells during the term of the agreement from engaging in research and development work in the radioactivity well logging field.

On March 3, 1942, respondent and Lane-Wells entered into a second contract which contained the same illegal provisions as the first agreement.[8] The occasion for the second agreement was the acquisition by respondent of the Fearon application on the substitution of a neutron source of radiation in the Bender process.

By July 30, 1945, respondent had associated the old collar locating device with the Bender and Fearon radioactivity well logging devices in a single tool. This tool, which was to become the subject matter of the Swift patent No. 2,554,844, occasioned a further agreement dated July 30, 1945 between respondent and Lane-Wells.[9] This contract contained the same illegal provisions as the two which preceded it.

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[7]Ex. 501, First Book of Contracts, Agreement No. 7.
[8]Ex. 501, First Book of Contracts, Agreement No. 8.
[9]R. Vol. XIV, pp. 3031-3034.

Both courts below concurred in the conclusion that "By the agreements of June 11, 1940, March 3, 1942 and July 30, 1945, WSI [Respondent] misused its patents. . . ." (App., p. 46a).

These three illegal contracts were merged into and superseded by a new agreement between respondent and Lane-Wells dated April 16, 1951.[10]

**April 16, 1951 to June 1, 1956.**

The 1951 agreement was motivated by a change in the relationship between respondent and Lane-Wells and by changes in the competitive situation under which both operated. Just prior to the new agreement, Lane-Wells acquired one-half of the capital stock of respondent. Moreover, the field of commercial logging for hire was rapidly expanding. It had become evident that the exclusive license to Lane-Wells was not the most profitable exploitation of respondent's patent rights.

In consideration for relinquishment of its exclusive license under the WSI patents, Lane-Wells was to be paid $500,000.00 out of royalties expected to arise from licenses thereafter to be granted to third parties.

While it was one purpose of the 1951 agreement to enable respondent to license third parties, the terms on which such third party licenses could be granted were sharply restricted. By the express terms of the agreement, respondent could offer to third parties only two forms of license. These license forms were attached to the April 16, 1951 agreement as Exhibits A and B and

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[10]Ex. 501, First Book of Contracts, Agreement No. 9.

styled, respectively, "Immunity" license and "Research and Service" license.[11]

These "Research and Service" license forms and the license actually granted to Lane-Wells itself by the April 16, 1951 contract, were expressly limited to the right to render service to third parties for hire. No grant or license to manufacture apparatus was included. The proposed "Research and Service" agreement form contained a covenant by respondent to make available a source of apparatus but the licensee was granted no right to purchase equipment from any other source.

Respondent issued "Research and Service" package license agreements in substantially the same form required by its April 16, 1951 agreement with Lane-Wells.

The trial court held, and the court below affirmed, that both the April 16, 1951 contract and the "Research and Service" licenses issued pursuant to it constituted a further and continuing misuse of respondent's patents.

First, the April 16, 1951 agreement itself was found to be illegal because it imposed "definite restrictions and restraints upon WSI's own activities and dealings with third parties with regard to its patents" (App., p. 49a).

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[11]The "Immunity" license was expected to be useful only in connection with large concerns which owned laboratories and instrument-making facilities. It granted a mere immunity from suit under respondent's patents at a distinctly lower royalty rate than the "Research and Service" license agreements proposed for new entrants into the service field. These "Immunity" licenses included a grant of the right to manufacture instruments for the *sole* use of the licensee but contained restrictions upon the resale thereof.

Second, the lower court found, and the Court of Appeals affirmed, "that the practical effect of the Research-Service License Agreements issued pursuant to the April 16, 1951 contract was to require such licensees to purchase the necessary instruments from WSI . . ." thus establishing the "prohibited 'tying arrangement' that existed in the three prior contracts" (App., pp. 48a-49a).

The court below also affirmed the ruling of the trial court that the April 16, 1951 agreement and the "Research and Service" and "Immunity" license agreements issued pursuant thereto were not illegal package licenses requiring the payment of post-expiration royalties. (App., pp. 53a-55a).

This holding is in conflict with the decisions of other federal courts which have considered the same point and in conflict in principle with the repeated recognition by this Court that the subject matter of expired patents is dedicated to the public.

Both the April 16, 1951 agreement between respondent and Lane-Wells and the "Immunity" and "Research and Service" agreement forms for third parties were carefully drawn in light of the fact that Bender would expire in less than five years and Fearon in less than nine. Each of these forms of agreement was deliberately framed to insure the same royalty income after the expiration of these patents as before. These agreements abolished any line between the statutory term of Bender and Fearon and the post-expiration period.

Both the agreement between respondent and Lane-Wells and the "Research and Service" and "Immunity" agreements issued pursuant thereto were of the "package" type which included all of respondent's patents

relating to radioactivity well logging. Both of these agreements purported to license the use of this package of patents in a "field" or "royalty base" *defined without regard to the scope of the patent claims* and *without regard to the expiration dates of any of the licensed patents.* Royalties were to be paid and were in fact paid, on *all* operations within the defined field, at the same rate, throughout the term of the agreement. Specifically, these agreements required the payment of royalties on all operations in the field of "radioactivity well surveying". This "field" was deliberately couched in terms broad enough to cover all logging operations which could be performed under the Bender and Fearon patents.

The situation was aggravated by the fact that the "Research and Service" and "Immunity" agreement forms—the only licenses available to third parties—were for a minimum term of *five* years. *During this minimum term Bender would expire but there would be no adjustment of the royalty rate and no modification of the field or "royalty base".* The Fearon patent also would expire before the expiration of the minimum term of the majority of such licenses.

Respondent continued to use such royalty agreements at least until the date judgment was entered by the trial court. With respect to these "Research and Service" "field" license agreements, the court below stated:

> ". . . It is undisputed that the license agreements in question are of the 'package' type, under which all of WSI's patents in the field of radioactivity are included. The record does, indeed, show that under most, if not all, of those agreements the royalties payable are based upon the gross charges

made by the licensee for his radioactivity well logging operations, including those not covered by the WSI patents. The record also shows that the royalty base in many, if not all, of the license agreements includes operations covered by patents that expired after the agreements were entered into by the parties.[8] In addition, the trial court found, and the evidence confirms, that WSI continued to the date of judgment below to grant licenses in which the royalty base includes receipts derived from operations covered by the expired Bender Reissue and Fearon Patents, . . .

"[8]These are, of course, the Bender Reissue Patent which expired on October 18, 1955, and the Fearon Patent which expired on January 12, 1960." (App., pp. 51a-52a).

**The June 1, 1956 Agreement and the Alleged Purge.**

On June 1, 1956, immediately prior to the commencement of this litigation, respondent tacitly acknowledged the illegality of the pre-existing licensing practices. On that date, respondent and Lane-Wells entered into a new agreement[12] which effectively terminated the agreement of April 16, 1951 and eliminated the restrictions upon the right of respondent to deal with third parties in connection with its patents.

The June 1, 1956 agreement *did not,* however, terminate nor affect the "Research and Service" licenses already consummated with third parties upon illegal terms. Some of these agreements—which both courts below found to be illegal—continued in effect without modification after the alleged purge date.

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[12]Ex. 501, First Book of Contracts, Agreement No. 10.

In apparent acknowledgment of the illegality of these agreements, respondent also notified its licensees in May of 1956 that it would renegotiate the licenses or negotiate a new license under any of its patents on "reasonable terms".[13] These illegal agreements were not terminated as of the date of such notices or on June 1, 1956 but continued in effect thereafter.

The *bona fides* of respondent's offer of "reasonable terms" is seriously challenged by its actual conduct with respect to those of its licensees who tried to avoid the payment of post-expiration royalties on operations under Bender.

For example, Welex Jet Services, Inc. became a party to an illegal "Research and Service" license granted June 27, 1951[14] and issued pursuant to and in the form provided by the illegal contract of April 16, 1951.

While the Welex license was still in force, and during its original minimum five-year term which did not expire until June 27, 1956, the "pioneer" Bender patent expired on October 18, 1955. On May 15, 1956, respondent wrote to Welex, offered to terminate the existing agreement and professed a willingness to license under other reasonable terms any or all of its patents.[15] This "offer" proved to be a hollow gesture. The only alternative actually offered was an "Immunity" agreement which, like the "Research and Service" license

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[13]The offer was by way of letters to the licensees (R. Vol. XIV, pp. 3060 and 3085-3086) and the notice in the Official Gazette of the United States Patent Office for May 28, 1956 (R. Vol. XIV, pp. 3215-3216). The notice in the Gazette significantly omitted the Swift patent and was limited to sixty-eight specifically identified patents owned by respondent.

[14]Ex. 502, Second Book of Contracts, Agreement No. 26.

[15]R. Vol. XIV, p. 3060.

to which Welex was already a party, was a "field" license under all of respondent's patents. Like the "Research and Service" license, it required payment of royalties for operations under Bender without regard to the expiration of that patent.

On September 27, 1956, Welex wrote respondent drawing attention to the expiration of Bender and to the fact that natural gamma ray logging disclosed by Bender was in the public domain. It suggested revisions of respondent's proposal which included a reduced royalty rate in view of the expiration of the "pioneer" patent and exclusion of gamma ray logging from the "field" or royalty base.[16] The negotiations culminated in an exchange of letters dated May 9, 1957 and May 14, 1957.[17] In this correspondence Welex pointed out that more than 40% of its operations were natural gamma ray logging only and hence within the dedicated Bender invention. Welex objected to payment of the full 15% royalty demanded by respondent for its "Research and Service" package, including the spent Bender patent.

Respondent rejected the Welex complaint. Respondent refused to relinquish its post-expiration royalties on the Bender process.[18]

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[16]R. Vol. XIV, pp. 3068-3070.

[17]R. Vol. XIV, pp. 3062 and 3063-3065.

[18]Welex ultimately cancelled its "Research and Service" license by notice dated April 25, 1957 after its attempts to obtain a satisfactory modification failed. Following this termination, Welex accepted an "Immunity" agreement which still contained the broad

While Welex finally avoided payment of royalties on the practice of the expired Bender invention, other "Research and Service" licensees were not in a position to act similarly. Welex had merged with Halliburton Oil Company and thus had a source of instrumentation. Other "Research and Service" licensees had no such recourse. Respondent continued to refuse to sell its instruments to anyone except its "Research and Service" licensees until September 29, 1958.

Finding of Fact 127 of the trial court states:

> "127. WSI has continued to the date of this finding to grant licenses in which the royalty base is all of the licensee's receipts from radioactivity well logging operations, including those covered by the expired Bender and Fearon neutron patents, except where the licensee has accepted WSI's offer to grant a license on an individual patent basis or on some other narrower basis. WSI continues to the date of this finding to receive royalty payments from one or more of its licensees calculated on a royalty base which includes receipts of the licensee from operations covered by the said expired Bender and Fearon patents."[19] (App., p. 110a).

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royalty base, including the natural gamma ray well logging techniques of Bender. This "Immunity" agreement was terminated in November of 1957 and Welex became nonlicensed.

[19]See also Finding of Fact 117 of the trial court. (App., p. 107a).

## REASONS WHY THE PETITION SHOULD BE GRANTED.

### 1. The Lower Federal Courts Are in Direct Conflict Concerning the Legality of Package "Field" Licenses of the Type Here in Issue.

The conflict has arisen as a result of different interpretations which these tribunals have placed on the relevant decisions of this Court.

Such licenses are in common use throughout industry. Their legality is, therefore, a matter of substantial public importance. Respondent has correctly stated:

> "It is a very common practice for patent licensors, particularly where a large number of patents relating to a process, or a system, or a class of products is being licensed, to offer a license under all the patents in return for a percentage royalty on the licensee's total receipts from use of the process or system, or from sale of the line of products, without considering whether particular operations, or products, are covered by one or more unexpired patents. Licenses of this type are particularly common in industries involving a high level of research and development, such as the electronics, chemical, petroleum and radio industries, but there are few major industries which do not employ them to a substantial extent."[20]

This petition should be granted to resolve the existing conflict in decisions in the lower courts and to demonstrate, by proper application of the authoritative rulings of this Court, the inherent illegality of such "field" licenses.

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[20]Page 5, Brief of Well Surveys, as *Amicus Curiae* in *Burlotte et al. v. Thys Co.*, 379 U.S. 29, 13 L. Ed. 2d 99, 85 S. Ct. 176 (1964)

**a. The Decision Below Is in Direct Conflict With the Controlling Decisions of This Court.**

This Court has repeatedly forestalled attempts to compromise the paramount public right to the free use of the subject matter of expired patents. *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 83 L. Ed. 73, 59 S. Ct. 109 (1938); *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 41 L. Ed. 118, 16 S. Ct. 1002 (1896); *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 90 L. Ed. 47, 66 S. Ct. 101 (1945); and *Brulotte v. Thys Co.*, 379 U.S. 29, 13 L. Ed. 2d 99, 85 S. Ct. 176 (1964).

These decisions culminated last term with the ruling in *Brulotte* that

> "The use by a patentee of royalty agreements that project beyond the expiration date of the patent is unlawful *per se*." (13 L. Ed. 2d at 100).

In the same decision, the Court reaffirmed and quoted verbatim the rule of *Scott Paper* that

> ". . . any attempted reservation or continuation in the patentee or those claiming under him of the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent laws." (13 L. Ed. 2d at 101).

Notwithstanding these repeated admonitions by this Court, many of the lower federal tribunals have insisted on advancing the private interest of the patentee in derogation of the public right by condoning first one legal device and then another which projects spent patent monopolies into the post-expiration period.

The decision below is the latest in this category. It condones a common legal device, a "field" license under a package of patents, by which a patent owner effectively collects royalties on the more important patents long after expiration. The Tenth Circuit has expressly held that respondent may legally collect royalties under its package license agreements "on operations covered" by the expired "pioneer" Bender patent and also on the expired Fearon patent.

Respondent has thus avoided his obligation to surrender the inventions of these spent monopolies to free public practice by the transparent expedient of associating the expired patents in a package with others of minimal importance which survive the expiration date.

The decision below rests on the court's interpretation of *Automatic Radio Mfg. Co. v. Hazeltine Research,* 339 U.S. 827, 94 L. Ed. 1312, 70 S. Ct. 894 (1950). In sustaining respondent's package licenses, the court below held:

> ". . . The validity of such an agreement was upheld by the Supreme Court in Automatic Radio Mfg. Co. v. Hazeltine Research, Inc. 339 U.S. 827, 70 S.Ct. 894, 90 L.Ed. 1312. The facts in that case are almost identical with the facts in this case. There, as here, the license agreements offered by the patentee were of the so-called package type and included all of its present and future patents. The package licenses were offered for a flat percentage of the licensee's operations, whether or not any of the patents were used. *There, as here, some but not all of the patents had expired before the license agreement in question was executed and more of them would expire during the effective period of the agreement. . . .*" (Emphasis added.) (App., p. 53a).

The court thus accepted the very interpretation of *Automatic Radio* advanced by respondent in its Brief *Amicus Curiae* in *Brulotte*—and rejected by this Court in announcing in that case the rule that all post-expiration royalty contracts are "unlawful *per se*".

The decision below clashes head-on with the refusal of this Court in *Brulotte* "to extend" *Automatic Radio* "so as to project the patent monopoly beyond the 17-year period".

The court below ignored the fact, emphasized by *Brulotte*, that in *Automatic Radio*

> "The petition for certiorari did not in the questions presented raise the question of the effect of the expiration of any of the patents on the royalty agreement." (13 L. Ed. 2d at 102, footnote 5)

The court below ignored the fact, by which this case is fundamentally *distinguished* from *Automatic Radio*, that respondent's licenses were *not* adopted as a mere matter of business convenience—but instead were *deliberately* framed to extend the spent monopolies of the Bender and Fearon patents into another term.

The court gave lip service to the "principles enunciated in *Brulotte*". It then side-stepped application of those principles by *"distinguishing" Brulotte* on its facts. The court said:

> "We have held our decision in this case in abeyance pending the opinion of the Supreme Court in Brulotte v. Thys Co., .... U.S. ...., 13 L. Ed. 2d 99. It was thought that Brulotte would have some bearing upon the aspect of the misuse issue presently before us and further arguments as to its applicability were heard upon the court's own mo-

tion. However, from those arguments and after a careful study of the Brulotte opinion, we are convinced that it does not compel or even justify a reversal on the issue of misuse. . . . (App., p. 54a).

"We certainly recognized the principles enunciated in Brulotte and the other cases but think there are important distinctions between those cases, on the one hand, and the Hazeltine case and this case, on the other. In Brulotte and Ar-Tik the license agreement under consideration attempted to extend the period for paying royalties beyond the date of expiration of the last of the patents covered by the agreement. . . ." (App., pp. 54a-55a).

Review should be granted to dispel *at this time* any residual argument that *Automatic Radio* in any way compromises the paramount public right to the free use by all of the subject matter of a spent patent monopoly.

It should be made clear *now* that the particular facts of *Brulotte* afford no basis for avoiding its fundamental ruling which condemns, as *per se* illegal, *all* efforts to project expired patents into another term, *whatever* the legal devices employed.

**b. The Decisions of the Lower Federal Courts Are in Conflict Concerning the Legality of Package Licenses of the Type Used by Respondent.**

The decision below is in direct conflict with:

(1) the decision of the Third Circuit in *American Securit Co. v. Shatterproof Glass Corp.*, 268 F. 2d 769 (1959), and

(2) the decision of the United States District Court for the District of Maryland in *Techno-*

*graph Printed Circuits v. Bendix Aviation Corp.*, 218 F. Supp. 1 (1963), *aff'd. per curiam on other grounds*, 327 F. 2d 497 (4 Cir. 1964).

In *American Securit*, the Third Circuit considered "a standard form of license agreement" which provided for "a grant of a license under all" of the plaintiff's "patents related to the industry for the specific royalty of 2¢ per square foot of glass manufactured and sold by the licensee". The agreement also provided for termination by the licensee as to all of the licensed patents after one year from the date of execution by giving 30 days' notice in writing to the licensor.[21]

The Third Circuit held the package "field" license in *American Securit* illegal on two independent grounds.

First, the court noted that the acceptance of the package was mandatory because the same royalty was demanded for one or all of the patents in the package. In so holding the court expressly relied on the decision of this Court in *Automatic Radio, supra.*

The court then held the package license was illegal for a further and independent reason "quite apart from" the fact that it was "mandatory". The court stated this second independent ground of illegality as follows:

> "We conclude also, and *quite apart from all of the foregoing*, that Paragraph 8(a) of Securit's Standard Licensing Agreement which provides that that agreement shall continue 'in full force and effect to the expiration of the last to expire of any' of Securit's patents set out in 'Schedule A' constitutes a patent misuse for it extends the pay-

[21]Facts concerning the license are recited in the opinion of the District Court, 154 F. Supp. 890, 894 (D. Del., 1957).

ment of royalties of patents under patents which may expire to the expiration date of that patent most recently granted to Securit. Indeed the expiration [sic "termination"][22] clause of the contract works an 'aggravating hardship' on the licensee as Judge Leahy stated, in that it demands the renunciation of all patents, whether wanted or unwanted under the license.

"We conclude *for these reasons* also that under the circumstances at bar the court below committed no error in ruling that Securit had misused its patents, and that this misuse constituted a valid defense to the infringement suit." (Emphasis added.) (268 F. 2d at 77)[23]

The direct conflict between the decision below and the decision in *American Securit* is self-evident.

In this case, the Tenth Circuit has expressly condoned respondent's package "field" licenses pursuant to which it *still* collects royalties on the "pioneer" Bender

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[22]In this portion of the opinion, the Court of Appeals paraphrased the holding of the trial court that

". . . the *termination* provision works an equal, even more aggravating hardship upon the licensee in that, when invoked, it demands the renunciation of all patents—wanted and unwanted—under the license". (Emphasis added.) (154 F. Supp. at 895).

[23]The court below "distinguished" *American Securit* on the specious ground that:

". . . In the Ar-Tik and Shatterproof cases the licensees were coerced into taking a license agreement covering all of the licensor's patents by virtue of the licensor's refusal to grant anything but a package license agreement covering all of the patents. In other words, the licensee in those cases had to take all or none of the patents and no alternative was available . . ." (App., p. 55a)

This distinction is not valid. The Third Circuit did *not* rest its decision with respect to the misuse consequent from the post-expiration royalty aspects of the package license on coercion.

patent which expired in 1955 and on the Fearon patent which expired in 1960.

The Third Circuit, in *American Securit,* held a package "field" license of the same type illegal for the very reason that it extended for the life of the agreement the payment of royalties on patents which had expired during the contract term.

The decision below is also in direct conflict with the decision in *Technograph, supra,* in which the U.S. District Court for the District of Maryland applied *American Securit* to the same offensive type of package "field" license.

In *Technograph,* the court noted that the validity of such agreements was questioned by the Fourth Circuit Court of Appeals in *Baker-Cammack Hosiery Mills v. Davis Co.,* 181 F. 2d 550, 573 (1950), *cert. den.* 340 U.S. 824, 95 L. Ed. 605, 71 S. Ct. 58 (1950), because it "might easily lend itself to an unreasonable restraint of trade by extending patents beyond their legal limit. . . ." The Maryland court then quoted the portion of the *American Securit* decision reproduced *supra,* and stated:

> "This court is in accord with the Third Circuit holding." (218 F. Supp. at 49.)

The decision below conflicts in principle with decisions of the lower federal courts in antitrust cases which recognize the inherent anticompetitive consequences of the perpetuation of expired patents by association of the spent monopolies with "know-how", with pending patent applications, or with some other form of consideration which will survive the patent term.

In *United States v. Timken Roller Bearing Co.*, 83 F. Supp. 284, 313 (N.D. Ohio 1949), *modified on other grounds*, 341 U.S. 593, 95 L. Ed. 1199, 71 S. Ct. 971 (1951), the Court condemned an attempt to use "know-how" to perpetuate the "favored position" of a patentee into the post-expiration period:

> "We are, here, confronted with a situation wherein a patentee, upon the expiration of its patent monopoly, seeks to justify the perpetuation of the favored position it enjoyed by virtue of the patent through the ingenious theory of furnishing know-how. If lawful restraints and monopolies could be predicated on the ownership of know-how they could last ad infinitum. This Court cannot subscribe to such unharnessed privilege."

In *United States v. National Lead Co.*, 63 F. Supp. 513, 524 (S.D.N.Y. 1945), *aff'd*, 332 U.S. 310, 91 L. Ed. 2077, 67 S. Ct. 1634 (1947), the Court critically observed that the package agreements there in issue extended

> ". . . to patents not yet issued and to inventions not yet imagined. They applied to commerce beyond the scope of any patents. They extended to a time beyond the duration of any then-existing patent. Ethyl Gasoline Corporation v. United States, 1940, 309 U.S. 436, 456, 60 S. Ct. 618, 84 L. Ed. 852. They embraced acknowledgment of patent validity with respect to patents not yet issued, nor applied for, and concerning inventions not yet conceived. . . ."

The expiration of the pioneer Bender patent placed in the public domain the entire field of natural gamma ray well logging, yet respondent compelled Welex to pay royalties on the 40% of its activities in that field long after Bender expired.

The expiration of Fearon placed the entire field of neutron logging in the public domain, yet respondent continues to collect royalties for operations under that expired patent.

**c. The Decision Below Conflicts With the Rule That Each Patent Must Stand on Its Own Footing and Not in Whole or in Part on the Appeal of Another.**

It is self-evident that the primary appeal of respondent's "package" resided in the Bender and Fearon patents.

Respondent used the leverage of these monopolies to project royalties thereon into the post-expiration period.

Even after these monopolies expired, respondent's package licensees, to obtain rights under the unexpired Swift patent, were obliged to accept the obligation to pay royalties on all operations within the "radioactivity well surveying" field and hence under the spent Bender and Fearon monopolies. Respondent's royalty reward is not determined by the quality of each of its patents individually. Respondent has fashioned a fagot of expired and unexpired patents in which each patent strengthens its monopoly by drawing on another. The decision below which sustains respondent's field licenses is in conflict with the rule announced in *United States*

*v. Paramount Pictures, Inc.*, 334 U.S. 131, 158, 92 L. Ed. 1260, 68 S. Ct. 915 (1948) and reaffirmed verbatim in *United States v. Loew's, Inc.*, 371 U.S. 38, 9 L. Ed. 2d 11, 83 S. Ct. 97 (1962) in the following terms:

> ". . . The copyright law, like the patent statutes, makes reward to the owner a secondary consideration. In Fox Film Corp. v. Doyal, 286 U.S. 123, 127, 76 L.Ed. 1010, 1014, 52 S.Ct. 546, Chief Justice Hughes spoke as follows respecting the copyright monopoly granted by Congress, 'The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors.' It is said that reward to the author or artist serves to induce release to the public of the products of his creative genius. But the reward does not serve its public purpose if it is not related to the quality of the copyright. Where a high quality film greatly desired is licensed only if an inferior one is taken, the latter borrows quality from the former and strengthens its monopoly by drawing on the other. The practice tends to equalize rather than differentiate the reward for the individual copyrights. Even where all the films included in the package are of equal quality, the requirement that all be taken if one is desired increases the market for some. Each stands not on its own footing but in whole or in part on the appeal which another film may have. As the District Court said, the result is to add to the monopoly of the copyright in violation of the principle of the patent cases involving tying clauses."

**2. The Ruling Below That Respondent Purged Its Misuse on June 1, 1956 Conflicts in Principle With the Decisions of This Court and Directly With the Decision of the Sixth Circuit in Preformed Line Products Co. v. Fanner Mfg. Co., 328 F.2d 265 (1964), Cert. Den. 379 U.S. 846, 13 L. Ed. 2d 51, 85 S.Ct. 56 (1965).**

In *U. S. Gypsum Co. v. National Gypsum Co.*, 352 U.S. 457, 1 L. Ed. 2d 465, 77 S. Ct. 490 (1957), the Court noted that:

> ". . . It is now, of course, familiar law that the courts will not aid a patent owner who has misused his patents to recover any of their emoluments accruing during the period of misuse or thereafter until the effects of such misuse have been dissipated, or 'purged' as the conventional saying goes. Morton Salt Co. v. G. S. Suppiger Co. 314 US 488, 86 L ed 363, 62 S Ct 402; B.B. Chemical Co. v. Ellis, 314 US 495, 86 L ed 367, 62 S Ct 406; Edward Katzinger Co. v. Chicago Metallic Mfg. Co. 329 US 394, 91 L ed 374, 67 S Ct 416, 424; MacGregor v. Westinghouse Electric & Mfg. Co. 329 US 402, 91 L ed 380, 67 S Ct 421, 424; Mercoid Corp. v. Minneapolis Honeywell Regulator Co. 320 US 680, 88 L ed 396, 64 S Ct 278 . . . ." (352 U.S. at 465; 1 L. Ed. 2d at 471).

The court below refused to apply this "familiar law". It did not require respondent to prove dissipation of the consequences of its 16-year pattern of misconduct.

In holding that a purge of the 16-year period of misuse was effected overnight on June 1, 1956, the court below stated:

> ". . . The new agreement forms provided by the June 1, 1956, contract eliminated the two con-

ditions in the April 16, 1951, agreement which were held to be improper. In addition, WSI notified its licensees and potential licensees by letter and public notice that it would enter into new agreements or re-negotiate old agreements on reasonable terms under any or all of its patents." (App., p. 50a).

The mere cancellation of this illegal April 16, 1951 agreement, of course, did not dissipate the illegal consequences even of the five years it was in effect. Included among such consequences were the "Research and Service" agreements consummated between respondent and third parties which both courts also found to be illegal as constituting "a prohibited tying arrangement" (App., pp. 48a-49a). At least two of these illegal "Research and Service" license agreements survived the alleged purge of June 1, 1956.

Respondent's "offer" to "renegotiate" these illegal agreements was totally ineffective as a purge.

The acceptance by the court below of the "offer" to renegotiate as significant on the purge issue clashes head-on with rejection by this Court of a similar offer by the guilty patent owner in *B. B. Chemical Co. v. Ellis,* 314 U.S. 495, 86 L. Ed. 367, 62 S. Ct. 406 (1942).

Moreover, the record challenges the good faith even of respondent's ineffective offer. Welex was never able to obtain a license which did not require payment of royalties on operations under the expired Bender patent.

The decision below is in direct conflict with the recent decision of the Sixth Circuit in *Preformed Line Products Co. v. Fanner Mfg. Co., supra.*

In *Preformed,* the District Court held a separate trial which lasted a full week on the purge issue alone at which evidence was received on the state of competition in the industry.[24]

The Sixth Circuit Court expressly recognized the requirement that the illegal practice not only be abandoned but that the consequences thereof must be dissipated by the patent owner. It affirmed the conclusion of the trial court that the consequences of the misuse had not been dissipated for a substantial time period after the cessation of the illegal conduct. The appellate court stated:

> "In determining whether the plaintiff has purged itself of its misconduct in the use of its patents, the Court must give primary consideration to the rights of the public. 'In an equity suit, the end to be served is not punishment of past transgression, nor is it merely to end specific illegal practices. A public interest served by such civil suits is that they effectively pry open to competition a market that has been closed by defendants' illegal restraints.' International Salt Co., Inc. v. United States, 332 U.S. 392, 401, 68 S. Ct. 12, 17, 92 L. Ed. 20.
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> "The plaintiff has attempted to fix its own date as to the time the purge was effected. It arrives at this date as the time that it discontinued its illegal practices. That is only a part of the requirement for a purge. The date of the discontinuance of illegal acts can be ascertained with a fair

[24]See the "Brief in Opposition" to the Petition for a Writ of Certiorari, No. 189, October Term, 1964.

degree of certainty but the date when the consequences of such acts are dissipated cannot be determined with precision. . . ." (328 F. 2d at 279.)

The decision below is typical of the rulings of many of the Circuit Courts of Appeal by which the misuse doctrine is eroded by relaxation of the prerequisites to an effective purge which have consistently been demanded by this Court. These Courts of Appeal have adopted the rule that mere termination of an offensive practice constitutes a purge. They give lip service at best to the further requirement that the patent owner show dissipation of the consequences of his anticompetitive acts. As a practical matter, the requirement of dissipation has been disregarded.

The Fourth Circuit has decided four cases involving the purge of a misuse. In the last of these cases, *Eastern Venetian Blind Co. v. Acme Steel Co.*, 188 F. 2d 247 (1951), the court, in finding the misuse purged by a mere abandonment of the objectionable practice, held:

"... By these actions whatever defect was found in the early licenses has now been removed and the case falls within the rule which is equally well established that even if a patentee has in the past misused his patents, he is entitled to equitable relief after the misuse has been fully abandoned. See the following decisions of this court and the cases therein cited. Sylvania Industrial Corp. v. Visking

Corp., 4 Cir., 132 F. 2d 947, 958; Westinghouse Elec. Corp. v. Bulldog Electric Products Co., 4 Cir., 179 F.2d 139, 145-146; Baker-Cammack Hosiery Mills v. Davis Co., 4 Cir., 181 F.2d 550, 571. See, also, Novadel-Agene Corp. v. Penn, 5 Cir., 119 F.2d 764; Campbell v. Mueller, 5 Cir., 159 F.2d 803." (188 F. 2d at 254.)

Thus the Fourth Circuit, in conflict with the decisions of this Court and with the decision of the Sixth Circuit in *Preformed,* has totally eliminated the requirement that the patent owner guilty of misuse demonstrate that the consequences of the misuse have been dissipated as a prerequisite to enforcement of his patents. In the Fourth Circuit, mere abandonment of the illegal practice is sufficient.

The Third Circuit appears to have adopted the same view in *Metals Disintegrating Co. v. Reynolds Metals Co.,* 228 F. 2d 885 (1956).

The same philosophy is expressed by the Ninth Circuit in *Berlenbach v. Anderson and Thompson Ski Co.,* 329 F. 2d 782 (1964) and in *Zajicek v. Koolvent Metal Awning Corp. of America,* 283 F. 2d 127 (1960).

Certiorari should be granted in this case to preclude further erosion of the misuse doctrine and reinstate the requirement of full dissipation of the anticompetitive consequences of the unlawful conduct as an essential element of purging.

### 3. The Decision That the Swift Patent Is Infringed Violates 35 U.S.C. 112 and Conflicts With the Decisions of This Court Defining the Scope of Equivalents Applicable to Claims for Combinations of Old Elements.

As the trial court found, the Swift patent is for a "combination" of old elements. The elements which make up the "combination," as disclosed in the Swift patent, are an old magnetic casing collar locator and an old radioactivity surveying tool.

Petitioner's device held to infringe the Swift claims does not use any surveying tool described by Swift. Instead petitioner uses the particular type of well survey apparatus shown in the petitioner's Pringle patent No. 2,686,266 in suit. Finding of Fact 90 by the trial court states:

> "90. The invention of the Pringle et al. Patent No. 2,686,266 was not introduced, imported or made known by Pringle et al. within the United States prior to November 10, 1949, the date when the corresponding Canadian patent application was filed The earliest effective invention date for the Pringle et al. patent is therefore November 10, 1949." (App., p. 97a).

Thus, petitioner substituted for the old surveying tool disclosed in Swift the Pringle tool *which was not known and had not been invented* at the time the application for the Swift patent was filed on March 22, 1946.

The court nevertheless held that petitioner's tool was equivalent to that described in Swift and for that reason infringed the Swift claims.

This holding violates 35 U.S.C. 112 and controlling decisions of this Court.

The third paragraph of 35 U.S.C. 112 provides:

> "An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure material, or acts in support thereof, and such claim *shall* be construed to cover the corresponding structure, material, or acts *described* in the specification and *equivalents* thereof." (Emphasis added.)[25]

Petitioner admittedly does not use *any* surveying tool "described" in the Swift patent.

The sole question is whether the court properly determined that petitioner used an "equivalent thereof" by substituting the new Pringle surveying device in the Swift "combination".

The controlling decisions of this Court compel a negative answer and a finding of noninfringement.

In *Gill v. Wells,* 89 U.S. (22 Wall.) 1, 28, 22 L. Ed. 699, 711 (1874) this Court enunciated the following principles by which infringement of claims directed to old combinations to be determined:

> "Whether one device is or is not an equivalent for another is usually a question of fact, and often becomes a difficult issue to decide. Grave doubts were at one time entertained whether the patentee of an invention consisting of a combination of old ingredients was entitled to equivalents, but it is now well settled that he is just as much as the patentee of any other class of inventions; but it is very important to understand what is meant by an equivalent of an ingredient in such a combination.

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[25]The Reviser's Note with respect to this portion of the Statute states:

"A new paragraph relating to functional claims is added."

Questions of the kind usually arise in comparing the machine of the defendant in a suit for infringement with that of the plaintiff, and the rule is that if the defendant omits entirely one of the ingredients of the plaintiff's combination, without substituting any other, he does not infringe, and if he substitutes another in the place of the one omitted, which is new or which performs a substantially different function, or even if it is old but was not known at the date of the plaintiff's patent as a proper substitute for the omitted ingredient, he does not infringe. By an equivalent in such a case it is meant that the ingredient substituted for the one withdrawn performs the same function as the other, and that it was well known at the date of the patent securing the invention as a proper substitute for the one omitted in the patented combination. Hence it follows that a party who merely substitutes another old ingredient for one of the ingredients of a patented combination is an infringer if the substitute performs the same function as the ingredient for which it was substituted, and was well known at the date of the patent as a proper substitute for the omitted ingredient; *but the rule is otherwise if the ingredient substituted was a new one or performed substantially a different function, or was not known at the date of the plaintiff's patent as a proper substitute for the one omitted, as in that event he does not infringe.*" (Emphasis added.)

This rule was repeated and reiterated in *Fuller v. Yentzer*, 94 U.S. 288, 296, 297, 24 L. Ed. 103, 106 (1877). It was reaffirmed in *Halliburton Co. v. Walker*, 329 U.S. 1, 91 L. Ed. 3, 67 S. Ct. 6 (1946). It represented the law at the time the 1952 Act was passed.

It is clear that the intent of Congress in adopting the final paragraph of 35 U.S.C. 112 was to *preserve* and not to vitiate this statutory rule.

This *new* provision in the statute reflects the Congressional endorsement of combination claims in which elements are defined ". . . as a means . . . for performing a specified function without the recital of structure . . .". But Congress was aware of the danger implicit in functional claims of unlimited scope. See *Halliburton Co. v. Walker, supra.* Congress was careful to include in the statute the *mandatory* provision that such functional claims *shall* be construed to cover only what is "described in the specification" and "equivalents thereof".

The foregoing authorities demonstrate that the expression "equivalents" had a well understood and narrow meaning at the time the Act was passed.

The legislative history reflects that at one point it was suggested that the expression "the equivalents thereof" in the statute be followed by the further expression "whether or not known at the time the invention was made". This proposal was not adopted.[26]

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[26]The particular form of the statute with respect to which the proposal was made reads as follows:

> "An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure or acts in support thereof and such claims shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof."

The proposed changes appear in the pamphlet entitled "Patent Law Codification and Revision", subtitle "Hearings Before Subcommittee No. 3 of the Committee on the Judiciary, House of Representatives, 82nd Congress, 1st Session, on H.R. 3760". On page 33 of this pamphlet there is a heading: "Changes in H.R. 3760 Made at the Coordinating Committee Meeting in Wash-

The conclusion is inescapable that 35 U.S.C. 112 forecloses the finding of infringement by the court below.

**4. The Court Below Applied an Improper Standard of Invention to Sustain the Validity of the Swift Patent.**

The lower federal courts are in fundamental conflict concerning the proper application of the constitutional standard of invention now codified in 35 U.S.C 103.

The basis of the conflict is reflected in the certiorari papers and the briefs on the merits which have been filed in connection with four cases[27] which the court has previously accepted for review.

In general, a first group of Courts of Appeal holds that the constitutional standard of invention as delineated by this Court prior to 1952 necessarily is retained in 35 U.S.C. 103.

Another group of appellate courts, disregards the mandate of the Constitution, to hold that the pre-1952 standard of invention delineated by this Court, has been substantially lowered by the enactment of 35 U.S.C. 103.

In the specific area of claims defining "combinations" of old elements, one group of courts has now adopted the philosophy that patentability no longer

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ington, May 22, 1951". Line 14, after "thereof" cancel period and insert "whether or not known at the time the invention was made."

[27]Nos. 11, 37, 43, 55.

requires an unexpected result to be consequent from the "combination". These courts hold that it is no longer required for patentability that the combination of old elements in some way exceed the sum of its parts. These courts sustain patent claims on the basis of other criteria such as commercial success.

The Tenth Circuit Court of Appeals by the decision below has now placed itself in this latter category.

The Swift patent was sustained on the basis of a "test" defined by the court below as follows:

> ". . . The test of whether a particular patent is a mere aggregation and invalid or a combination and valid has been variously stated. Generally, where elements old in the art are united in such a way that a new and useful result is secured or an old result is attained in a more facile, economical and efficient manner, there is a patentable combination. Bewal, Inc. v. Minnesota Mining and Mfg. Co., 10 Cir., 292 F.2d 159; Oliver United Filters v. Silver, 10 Cir., 206 F.2d 658, cert denied, 346 U.S. 923, 74 S.Ct. 308, 98 L.Ed. 416." (App., pp. 16a-17a).

Review should be granted in this case particularly because the Swift patent is the cornerstone of respondent's successful scheme for maintaining the whole well logging industry in servitude to its patents.

Respondent has filed at least sixteen other lawsuits. In most cases the defendants have capitulated without a struggle in view of the ruling below.

## Conclusion.

For the reasons stated this Petition for a Writ of Certiorari should be granted.

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IN THE

# Supreme Court of the United States

October Term, 1965
No. 366

McCULLOUGH TOOL COMPANY, *et al.*,

*Petitioner,*

*vs.*

WELL SURVEYS, INCORPORATED, *et al.*,

*Respondent.*

## Appendix to Petition for a Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit.

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## APPENDIX.

### Opinion of the United States Court of Appeals for the Tenth Circuit.

United States Court of Appeals, Tenth Circuit, January Term, 1965.

Number 6952

McCullough Tool Company, Robert W. Pringle, Kenneth I. Roulston, George M. Brownell and Philip W. Martin, Appellants, v. Well Surveys, Inc., and Dresser Industries, Inc., a Corporation, Appellees.

Number 6953

McCullough Tool Company, Appellant, v. Well Surveys, Inc., Appellee.

Number 6954

Well Surveys, Inc., and Dresser Industries, Inc., Appellants, v. McCullough Tool Company, Robert W. Pringle, Kenneth I. Roulston, George M. Brownell and Philip W. Martin, Appellees.

Number 6955

Well Surveys, Inc., Appellant, v. McCullough Tool Company, Appellee.

Number 6956

Well Surveys, Inc., and Dresser Industries, Inc., Appellants, v. McCullough Tool Company, Robert W. Pringle, Kenneth I. Roulston, George M. Brownell and Philip W. Martin, Appellees.

Filed Mar. 17, 1965.

Appeals from the United States District Court, for the Northern District of Oklahoma.

R. Welton Whann, Richard B. McDermott and Edwin A. Oser (Robert M. McManigal and James E. Harrington on the briefs) for McCullough Tool Company, Robert W. Pringle, Kenneth I. Roulston, George M. Brownell and Philip W. Martin.

Robert W. Fulwider and Rufus S. Day, Jr., (Farmer, Woolsey, Flippo & Bailey; Fulwider, Patton, Rieber & Utecht; McAfee, Hanning, Newcomer, Hazlett & Wheeler; Anderson, Luedeka, Fitch, Even & Tabin on the briefs) for Well Surveys, Inc., and Dresser Industries, Inc.

Before Murrah, Chief Judge, Breitenstein and Hill, United States Circuit Judges.

Hill, Circuit Judge.

The appeals and cross-appeals in these consolidated cases involve the validity, infringement and misuse, together with the purge of such misuse, of three patents[1] owned by Well Surveys, Inc. (hereinafter referred to as WSI), and the validity and infringement of one patent[2] owned by Robert W. Pringle, Kenneth I. Roulston, George M. Brownell and Philip W. Martin, which is subject to an exclusive license in favor of McCullough Tool Company. For convenience we will hereinafter refer to all of the latter parties as McCullough. The first case was filed by WSI in the Southern District of Texas and thereafter transferred to the Northern District of Oklahoma. In this suit, WSI charged McCullough Tool Company with infringement of the

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[1]The three patents are: Patent No. Re. 23,226 (hereinafter referred to as the Bender Reissue Patent); Patent 2,308,361 (hereinafter referred to as the Fearon Patent); Patent No. 2,554,844 (hereinafter referred to as the Swift Patent).

[2]This patent is Patent No. 2,686,266 (hereinafter referred to as the Pringle Patent).

Bender Reissue, Fearon and Swift patents. McCullough Tool Company answered denying infringement and asserting the usual defenses of invalidity, lack of invention and misrepresentation by the patentees to the Patent Office and defects in the issuance of the Bender Reissue Patent as well as misuse of all three of the patents. In the second case, commenced in the court below by McCullough Tool Company, it alleged that WSI misused the three patents and sought a declaratory judgment of unenforceability, invalidity and non-infringement of such patents. By subsequent amendments to the complaint: Lane-Wells Company was made a party defendant and it and WSI were charged with infringement of the Pringle Patent; Pringle, Roulston, Brownell and Martin were made parties plaintiff; and Dresser Industries, Inc., was substituted for Lane-Wells.

The lower court consolidated the two cases for trial and, after making extensive findings of fact and conclusions of law reported at 199 F. Supp. 374, entered judgment in accordance therewith. In Case Nos. 6952 and 6953, McCullough appeals from those portions of the judgment holding: (1) The Bender Reissue, Fearon and Swift patents to be valid and infringed; (2) the Pringle patent to be valid only when limited to a certain apparatus and, as limited, non-infringed; (3) that WSI had not misused its patents after June 1, 1956, but had purged itself as of that date and was entitled to enforce its patents against infringement subsequent thereto; and (4) denying their motion for a new trial. The appeals and cross-appeals in Case Nos. 6954, 6955 and 6956 by WSI and Dresser are from those portions of the judgment holding: (1) The Pringle patent to be valid even as limited; and (2) WSI had misused its valid patents from June 11, 1940, to June 1, 1956.

The subject matter of the patents in suit relate to a method and apparatus for the logging of oil wells. Radioactivity well logging is the only method for logging an oil well through the casing and the first commercial logging services were offered to the oil industry by WSI and Lane-Wells. The term "radioactivity well logging" was originally applied to methods of detecting and measuring radiation naturally emitted by the formations of the earth around an oil well, but it soon became a generic term and is now used to designate any well logging in which radiations coming from the formations, whether natural or artifically produced, are detected and measured. There are various types of radioactivity well logging, including gamma ray logging and neutron logging.

We will first consider the validity of the patents in suit and will follow the rule that the findings of the Patent Office, especially when confirmed by the District Court, as they are here, will not be overturned by this court unless clearly infected with error. Johns-Manville Corporation v. Ladd, D.C. Cir., 328 F.2d 563. In this Circuit the better practice is to first consider the issue of the validity of a patent and then the issue of infringement. Sears, Roebuck & Co. v. Jones, 10 Cir., 308 F.2d 705, cert. denied, 371 U.S. 952.

**Bender Reissue Patent.**

The Bender Reissue Patent is for a "Subsurface Prospecting Device". It was issued to Lane-Wells on October 18, 1938, as Patent No. 2,133,776. The application and patent states that the invention disclosed therein "* * * relates to a sub-surface prospecting device which may be employed to detect the location of radio-

active formations and particularly where such formations have been penetrated by a well bore so that the instrument may be passed through the formation and in this manner detect the presence of the formation." The objects of the invention, as stated in the patent, are to: (1) Locate petroleum sands and other radioactive materials by means of detecting the location of secondary emissions therefrom; (2) detect the presence of petroleum sands outside of a well casing in which the instrument is being operated; and (3) lower a radiant energy detecting device into a bore well so that the radiant energy may be recorded at the surface and thereby establish the type of material at a particular depth.

The application for reissuance was filed on October 4, 1940, and it was issued on May 9, 1950, as Patent No. Re. 23,226 to Lane-Wells, which subsequently assigned it to WSI. The stated reason for seeking the reissuance was to obtain new claims 14-21, which cover a subject matter alleged to have been disclosed but not claimed in the original patent. In this connection, the record shows that, while thirteen claims were allowed in the original patent, two claims, 7 and 8,[3] were contained in the original application but were cancelled on July 20, 1938. The new claims, 14 through 21, were identical with certain counts of interference then pend-

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[3]They read as follows:

"7. A method of detecting the presence of radio active formations in well bores comprising the steps of lowering an electronic pickup device into the well bore and detecting the electronic bombardment of the device by such formation.

"8. A method of detecting the presence of radio active formations in well bores comprising the steps of lowering an electronic pickup device into the well bore, detecting the electronic bombardment of the device by such formation and indicating the saturation of such formation by the volume of bombardment detected."

ing in the Patent Office. Bender became a party to that proceeding and ultimately prevailed with the Patent Office holding that the original application disclosed and supported the material covered by the new claims in the reissue application. The record also shows that the two drawings of the Bender device contained in the original application and patent remain unchanged in the reissue patent.

The claims in issue relate to a method and apparatus for measuring radiations emanating from earth formations traversed by a bore hole and thereby to produce a radioactivity log of such subsurface formations. This invention teaches what is known as natural gamma ray logging and involves detecting and measuring the natural radioactivity of formations outside of and around the well casing. It utilizes the fact that earth formations exhibit natural gamma ray activity to a greater or lesser degree depending upon the type of formation, i.e., for example, shales and clays contain larger amounts of gamma ray emitting materials than do sandstones or limestones. The device used for detecting and measuring the gamma rays may be described as a radiation detector, i.e., Geiger counter, which is contained within a housing or lead cylinder that is lowered into the well by means of a cable. As the cylinder is lowered within the well casing, the radioactive signals produced by the earth formation outside of the well casing are detected by the Geiger counter and transmitted through a conductor located within the cable to the surface where, by means of a mechanical device, they are recorded in correlation with depth to produce an oil well log. This log gives information concerning the lithology of the subsurface formations.

McCullough first contends that this Patent is invalid because the invention disclosed in the reissue claims in suit is wholly different from that intended to be covered by, or disclosed in, the original patent. A reissue patent, to be valid, must be for the same invention as the original patent. The original and reissue patents are for the same invention where the latter fully describes and claims the very invention intended to be secured by the original patent and describes and claims only those things which were embraced in that invention and where it is not merely suggested in the original but constitutes a part or portion of that invention. The required intention does not appear if the additional matter covered by the reissue is not disclosed in the original patent. It is not enough that an invention might have been claimed in the original patent because it was suggested or indicated in the specification. U. S. Industrial Chemicals v. Carbide and Carbon Chemicals Corp., 315 U.S. 668; Leishman v. Associated Wholesale Electric Co., 9 Cir. 137 F.2d 722, cert. denied, 320 U.S. 794. The entire disclosure of the original patent, not just the claims, must be considered in determining what the patentee intended to claim and what invention the patent discloses. Application of Handel, C.C.P.A., 312 F.2d 943.

Considering the entire disclosure of the original Bender patent, we agree with the trial court's findings that the subject matter of the reissue claims in suit was "explicitly disclosed and taught but was not claimed" in the original patent and the "invention covered by said reissue claims in issue is the same invention as disclosed by the original patent." (199 F. Supp. at 380) It clearly appears from the face of the original patent

that what is covered in the reissue was disclosed and intended to have been covered and secured by the original patent. Claims 7 and 8 in the original application are broad enough to include the basic concept of the reissue claims and the objects of the invention, as set forth in the original application, certainly disclose the subject matter contained in the reissue claims.

McCullough's next contention is that, if the original application and patent were intended to cover and disclose the subject matter of the reissue claims, there was an intentional cancellation of the claims directed thereto, i.e., claims 7 and 8, and therefore the subject matter of those claims may not be recaptured in a reissue patent. A reissue patent is void if the matter covered by the reissue claims was intentionally omitted or abandoned by the patentee during the course of his application for the original patent or, in other words, in a situation where no error through inadvertence, accident or mistake exists. Altoona Publix Theatres v. American Tri-Ergon Corp., 294 U.S. 477; Dobson v. Lees, 137 U.S. 258. But this very same question was raised in the interference proceeding in the Patent Office and again by the Patent Examiner in the course of the ex parte proceedings on the reissue application. In both instances the ruling was in favor of Bender. Under these circumstances, we are bound by the rule laid down in Topliff v. Topliff, 145 U.S. 156, 171, that "* * * this court will not review the decision of the commissioner upon the question of inadvertence, accident, or mistake, unless the matter is manifest from the record * * *." Moreover, the lower court found there was no evidence that Bender either approved or authorized the cancellation of original claims 7 and 8 and the defenses

of lack of inadvertence, accident or mistake were not supported by any probative evidence. (199 F. Supp. at 380-381) We are also bound by these findings of fact unless they are clearly erroneous. Maytag Company v. Murray Corporation of America, 6 Cir., 318 F.2d 79; Noe v. Smith, 5 Cir., 300 F.2d 430. The record in the case clearly supports the findings of both the Patent Office and the trial court.

Lastly, McCullough contends that the Bender Reissue Patent is invalid over the prior art and relies upon the disclosures made in the Ambronn textbook. The Ambronn publication was considered by the Patent Office and, as the trial court found, it neither discloses nor teaches the use of a Geiger counter or any other type of radiation detector which produces an electrical signal. It discloses only the use of an electroscope, which provides an optical indication and is not suitable for use in radioactivity well logging.

The ultimate question of the validity of a patent is, of course, one of law for the court to decide. Mott Corporation v. Sunflower Industries, Inc., 10 Cir., 314 F.2d 872. We agree with the trial court that the Bender Reissue Patent is valid.

**Fearon Patent.**

The Fearon Patent is for a "Well Logging Method and Device" and the claimed invention relates to "* * * a method of and apparatus for conducting investigations inside of bore or drill holes * * * and renders it possible to identify and locate various formations traversed by such holes * * *." It was issued to WSI on January 12, 1943. The claims in issue describe a process and apparatus for exploring formations traversed by

cased drill holes and for investigating the physical properties of such formations to thereby determine the depths at which the valuable or oil bearing strata are located and at which the casing should be perforated in order to produce oil or gas. The asserted inventive feature of this patent is the providing of a source of neutrons for the purpose of bombarding the formations outside of and around the well casing and thereby determining from the resulting radiation reactions whether a particular formation, which could contain fluid such as oil or water, does contain any such fluid. Thus, Fearon teaches the lowering of a source of neutrons into a well and an apparatus for utilizing the neutrons so produced to bombard the formations surrounding the well and for measuring the resulting radiations passing from the formation to the subsurface tool.

The Fearon instrument is a housing or cylinder which is lowered into the well by a cable. Inside the housing or cylinder is an ionization chamber, which is connected to a circuit that contains an amplifier and conductors and leads to the surface of the ground. A quantity of radioactive material which, in one of its forms, emits neutrons is located below the ionization chamber. The ionization chamber contains a cylindrical outer electrode and a central wire electrode. It is filled with an inert gas, such as nitrogen, and the gas is under pressure. As the tool is lowered inside the well casing, the radioactive material bombards the casing and the surrounding earth formations with neutrons. This causes a radiation reaction in the earth formations and the radiation reactions are detected by the ionization chamber. The signals so detected are transmitted to the surface where, by means of a mechanical device, a recording or log is

made in correlation with the depth. The ionization chamber produces a continuous electrical current rather than pulses and the continuous current is a measure of the average energy flux impinging on the chamber.

McCullough contends that this patent is invalid over the prior art, i.e., Bender, because the only difference between the two is the substitution of a neutron source of radiation in Fearon for the X-ray or gamma ray source of Bender. The argument is that both sources were well known in the art and, hence, no invention could be claimed for such a substitution. It is based upon the well-recognized doctrine that the mere substitution of equivalents which do substantially the same thing in the same way, even though better results may be produced, is not such an invention as will sustain a patent. Dow Chemical Company v. Halliburton Oil Well Cementing Company, 324 U.S. 320. The question of equivalency is one of fact and it must be determined against the context of the patent, the prior art and the particular circumstances of the case and consideration must be given to the purpose for which an ingredient is used in a patent, the qualities it has when combined with the other ingredients and the function it is intended to perform. Graver Tank Co. v. Linde Air Products Co., 339 U.S. 605, 609; Application of Ruff, 45 C.C.P.A. 1037, 256 F.2d 590.

The lower court found and the evidence confirms: While the well logs are substantially the same regardless of whether the radiation detector used is a Geiger counter, an ionization chamber or a scintillation counter, still the gamma ray log of Bender and the neutron log of Fearon are quite dissimilar in that a gamma ray log generally indicates formation density and a neutron log

indicates porosity of the formation; the neutron log is a new and useful result never before obtained prior to Fearon; and there was an urgent need for a log which would complement Bender by giving an indication as to porosity and possible oil content of the inaccessible subsurface formations. The lower court concluded that the Fearon claims in issue were not obvious, but were the result of invention and were not anticipated by, but displayed substantial inventive advance over the prior art. (199 F. Supp. 381-383, 397) We are bound by those findings on the factual issues and agree with the court's conclusions. Accordingly, we hold that the Fearon Patent is valid.

**Swift Patent.**

This patent is entitled "Casing Collar Locator" and the invention "* * * relates to the art of well logging and more especially to apparatus adapted to simultaneously log a well and record the position relative to the well log of markers fixed along the depth of the well bore." The patent was issued to WSI on May 29, 1951. It recites that the usual method of determining depth by measuring, at the surface, the amount of cable lowered into the well was inaccurate for various reasons, including cable stretch; but that accurate indications of depth could be obtained " * * * if the well surveying device is so constructed that it not only performs the usual well surveying function, but also generates an appropriate signal each time that it passes one of a series of markers already placed at fixed depths in the well. Such markers are preferably the junctions between the sections of the well casing. * * *" It also recites that "* * * if a magnetic field is created in the well bore and caused to be

of such a configuration as to extend into the surrounding casing, and this field is lowered down the well bore, it will remain substantially unchanged except when it passes a junction between two casing sections * * *" and the signal which results from the change as a junction is passed "* * * may then be used to determine or calibrate the depth scale against which the primary measurements are recorded."

The claims in issue describe a method and apparatus for simultaneously identifying and measuring the radiation signals emanating from the earth formations surrounding the well casing and obtaining signals indicating that the tool has passed a casing junction or collar. The signals are then combined and transmitted to the surface where they are recorded to provide a log in which the radiation measurements are accurately correlated with depth. Thus, the Swift patent discloses a combination of a radiation detecting system with a "casing collar locator" in which the radiation signals and casing collar signals are electrically combined and subsequently recorded on a log to indicate the type of earth formation that may be present at a particular depth in the well as indicated by the location of the casing collars. The resulting log is essentially different from, and more accurate than, a radiation log wherein depths are determined by measurements made at the surface. The casing collar locator utilizes a magnetic field, the configuration of which is broken or changed when the locator passes a casing collar thereby producing the casing collar signals.

The lower court found and determined that: The problem of accurate depth measurements in radioactivity well logging was "* * * first solved for cased

wells by the invention of the Swift Patent which met with immediate and substantial commercial success"; the casing collar signals made by the Swift method and apparatus at the time and place of the radiation measurements are primary depth measurements, the use of which produces a log essentially different from a radiation log where depth measurements are determined by secondary measurements made at the surface; the Swift Patent is a new combination of elements which produces a new and useful result and is not a mere aggregation of elements; and the Swift device is of great utility and value, it was not obvious but is the result of invention and it is not anticipated by, but displays substantial inventive advance over, the prior art. (199 F. Supp. at 385-387)

McCullough directly attacks these findings as being manifestly erroneous and asserts that the problem of accuracy of depth measurements had already been solved and was disclosed in the prior art at the time Swift's application was filed. It is argued that Swift is invalid over the prior art[4] because (a) casing collar locators and radioactivity formation logging are old and had been disclosed in the prior art relied upon and Swift does not amount to a new combination of these elements

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[4]The prior art relied upon by McCullough is the following: The Lane-Wells "feeler" type of collar locator; the Russell Patent, No. 2,320,890, issued June 1, 1943; the Ennis Patent, No. 2,228,623, issued January 14, 1941; the Doll Patent, No. 2,476,137, issued July 12, 1949; the Castel Patent, No. 2,459,499, issued January 18, 1949; prior public use by Schlumberger of a "locating radioactive marker"; and the Stratagraph electric logging device. However, the Russell Patent, while attached as an exhibit to the complaint, was not introduced into evidence and is not a part of the printed record. It is therefore not properly before us and will not be considered in our disposition of the cases. In any event, an examination of the patent shows that it is of little, or no, help to McCullough.

which produces a new and useful result, but rather is a mere aggregation and, as such, unpatentable, (b) it does not meet the standard of invention required for a patent, and (c) it does not possess the element of novelty. To demonstrate its argument, McCullough separates the elements of the disclosure and claims of the Swift patent, as set forth in the court's findings, and shows where each of those elements may be found or are disclosed in the prior knowledge or use, patents and printed publications that make up the prior art.

WSI does not deny that the individual elements are old in the art, but does argue that the combination covered by the Swift claims in issue is new and patentable. It argues that those claims may not be challenged by dissecting them and taking up the parts one at a time, but must be looked at as a whole and when this is done it becomes clear the trial court correctly found a new combination unknown in the prior art. It points out, and correctly so, that Swift was the first to utilize casing collar signals for the purpose of making primary depth measurements separately from, but at the same time and place as, radioactivity measurements as distinguished from secondary measurements made at the surface. It may fairly be stated that none of the items of prior art relied upon by McCullough, either individually or collectively, disclose such a method or apparatus. It is true that Ennis discloses a combination of a perforator gun and a magnetic casing collar locator but it does not show a combination of radioactivity well logging and casing collar locator. It is also true that the Schlumberger prior use discloses a casing collar locator and a Geiger counter but the collar locator is not magnetic and the Gieger counter is used

to locate a radioactive bullet placed in the well before it was cased rather than to detect radioactivity from the earth's formations. The Stratagraph uses a single detector as distinguished from the combination of a collar locator and a Geiger counter or ionization chamber and, as a result, it did not make a reliable log and never achieved any substantial commercial success or acceptance. Thus, while the prior art does disclose the two elements of casing collar locator and radioactivity well logging, it does not disclose any combination of those two elements so as to produce the result achieved by Swift, namely, the combining of a magnetic casing collar locator and radioactivity well logging and the providing of a transmitter system so that casing collar signals and radiation signals can be transmitted and recorded to show earth formation in correlation with depth.

It is universally held that a mere aggregation of a number of old parts or elements which, in the aggregation, perform or produce no new or different function or operation than previously performed or produced by them, is not a patentable invention. Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp., 340 U.S. 147; Admiral Corporation v. Zenith Radio Corp., 10 Cir., 296 F.2d 708; Consolidated Electro. Corp. v. Midwestern Instruments, 10 Cir., 260 F.2d 811. The test of whether a particular patent is a mere aggregation and invalid or a combination and valid has been variously stated. Generally, where elements old in the art are united in such a way that a new and useful result is affected or an old result is attained in a more facile, economical and efficient manner, there is a patentable combination. Bewal, Inc. v. Minnesota Mining and Mfg.

Co., 10 Cir., 292 F.2d 159; Oliver United Filters v. Silver, 10 Cir., 206 F.2d 658, cert. denied, 346 U.S. 923.

We think the Swift patent is a combination, rather than an aggregation, of old elements. The record sustains the trial court's factual determination that Swift is a new combination of old elements that produces a new and useful result and was not obvious to one skilled in the art. The log produced by the Swift method and apparatus is not only different from, and more accurate than, a radiation log but it also utilizes a casing collar to record depth measurements simultaneously with the recording of radiation formation signals. This is a result that no other prior invention had ever reached. The fact that the Swift combination worked and gave an accurate depth measurement, while none of the prior devices had, is an indication of inventiveness. Twentier's Research, Inc. v. Hollister Incorporated, 9 Cir., 319 F.2d 898. We conclude that the patent in suit is a valid combination of elements old in the art and amounts to invention and that it possesses the requisite element of novelty under the test set forth in Mott Corporation v. Sunflower Industries, Inc., supra, 314 F.2d at 879.

McCullough next contends that the method and apparatus disclosed in Swift was in public use for more than a year prior to the filing of the application for patent and, therefore, it is invalid under 35 U.S.C.A. § 102(b). The device was first conceived in May, 1944, and the application for patent was not filed until March, 1946. Section 102(b) provides that a person shall not be entitled to a patent if his invention has been in public use for more than one year prior to the applica-

tion. Sears, Roebuck & Co. v. Jones, supra. A single public use is sufficient to render a patent invalid. Consolidated Fruit Jar Co. v. Wright, 94 U.S. 92. But not every use is a public use within the meaning of the statute. Hobbs v. Wisconsin Power & Light Company, 7 Cir., 250 F.2d 100, cert. denied, 356 U.S. 932. The good faith use of the device or apparatus for experimental purposes is not a public use within the intent and meaning of the statute. Merrill v. Builders Ornamental Iron Co., 10 Cir., 197 F.2d 16; Nicholson v. Carl W. Mullis Engineering and Mfg. Co., 4 Cir., 315 F.2d 532, cert. denied, 375 U.S. 828. During an experimental period, the inventor may freely use his device "* * * for the purpose of testing the machine * * *", Smith and Griggs Mfg. Co. v. Sprague, 123 U.S. 249, 256, or "* * * in order to bring the invention to perfection * * *", Elizabeth v. The American Nicholson Pavement Co., 97 U.S. 126, 134, and the statutory period does not commence to run.

Public use is defined as "* * * [t]he ordinary use of a machine or the practice of a process in a factory in the usual course of producing articles for commercial purposes * * *." Electric Storage Battery Co. v. Shimadzu, 307 U.S. 5, 20. The burden is upon the one asserting prior public use to establish it by clear, cogent and satisfactory proof to remove all reasonable doubt thereof; but when a use is shown that has occurred prior to the statutory period, it is incumbent upon the patentee to show that such use was experimental only. Merrill v. Builders Ornamental Iron Co., supra; Linville v. Milberger, 10 Cir., 34 F.2d 386. The issue of whether a use of the device is experimental or public is one of fact. Willamette-Hyster Co. v. Pacific Car & Foundry

Co., 9 Cir., 122 F.2d 492; General Electric Co. v. Minneapolis-Honeywell R. Co., 2 Cir., 118 F.2d 278. And, the trial court's finding in this respect is binding upon the Court of Appeals unless it is clearly erroneous. Webb v. Frisch, 7 Cir., 111 F.2d 887; Cold Metal Process Company v. Republic Steel Corp., 6 Cir., 233 F.2d 828, cert. denied, 352 U.S. 891.

The trial court found that all uses made of the invention prior to the date the application was filed were experimental, were carried on in good faith for such purposes and were not prior public uses of the invention. (199 F. Supp. at 396-397) It is sufficient here to say we agree with the trial court that the repeated references, as disclosed in the documentary evidence and made during the period from 1944 to March, 1945, to the tool as being experimental in character "should be accorded great weight" in determining whether the use was experimental and carried on in good faith. The initial tests were commenced in 1944 and carried on until March 9, 1945, with regular reports being submitted during that time. These reports show various changes were made in the tool from time to time. The design and circuitry of the casing collar locator were kept secret and the locator itself was encased in a housing and not shown to outsiders. This evidence supports the finding that the use of the tool was made in good faith for experimental purposes and that there was no prior public use of the tool for more than a year before the application.

McCullough's next contention is that Swift is invalid because it was obtained by fraud and misrepresentations to the Patent Office on the part of the patentee. This court has held that relief will be denied in a patent

infringement suit to a "* * * patentee who has behaved unethically in his dealings with the Patent Office in connection with a patent in suit. * * *" Admiral Corporation v. Zenith Radio Corp., supra, 296 F.2d at 716. McCullough had the burden of proving fraud by clear and convincing evidence. Armour & Co. v. Wilson & Co., 7 Cir., 274 F.2d 143; Triumph Hosiery Mills, Inc. v. Alamance Industries, Inc., 4 Cir., 299 F.2d 793, cert. denied, 370 U.S. 924. It has not met that burden in this case. The record shows that the alleged misrepresentations relied upon by McCullough were not, in fact, misrepresentations at all and that there was no concealment of pertinent prior art.

McCullough's remaining contentions that the patent in suit is invalid because the descriptions and drawings contained therein are fatally defective under 35 U.S.C.A. § 112 and because it is based upon alleged new matter, as disclosed in a drawing designated as Figure 4, in violation of 35 U.S.C.A. § 132, are also without merit. Section 112 provides that the patent "* * * specification shall contain a written description of the invention, and of the manner and process of making and using it * * *"; but it does not require a description of all variations that might suggest themselves to one versed in the art. Sears, Roebuck & Co. v. Jones, supra. The invention may be described together with that mode which is conceived to be the best for putting it into practical use and where that has been done the patent is not confined to the precise mode outlined. Chicago Pneumatic Tool Co. v. Hughes Tool Co., 10 Cir., 97 F. 2d 945, 946, cert. denied, 305 U.S. 643; Pursche v. Atlas Scraper and Engineering Co., 9 Cir., 300 F.2d 467, cert. denied, 371 U.S. 911. The patent in suit clear-

ly meets this test and it is obvious from an examination of the file wrapper that the original application contains a description of everything disclosed in Figure 4.

We have no difficulty in concluding that the Swift Patent is valid in all respects.

## Pringle Patent.

This patent was issued on August 10, 1954, and is entitled "Improvements in Radiation Detectors". Among others, the objects of the invention are to provide: (1) "* * * [A] device * * * which, due to the capacity thereof to record energies of gamma rays, makes it particularly suitable for use in the identification of radioactive minerals, liquids, gases and other substances."; (2) "* * * a scintillation spectrometer particularly suitable for use in bore holes whereby continuous records of the intensities and energies of the naturally occurring and neutron capture gamma rays may be obtained, which permits a determination to be made of the location and nature of firstly, naturally occurring radioactivity, and secondly the physical and chemical structure of the strata. * * *"; and (3) a device which includes a "* * * flip-flop circuit for operating a counting-rate meter. * * *" By use of this circuit, pulses of less than any desired amplitude may be discriminated against and rejected. It is possible to determine the size distribution of the pulses due to scintillations and, hence, the energies of the gamma rays involved. The record shows that the claims as set forth in the original application were rejected on the ground that they were unpatentable over the prior art. In response to such rejection, the applicants amended their

application by, among other things, adding the following: "* * * it is necessary to use a single crystal having a mass not less than 10 grams in order to measure most accurately the energies of the gamma rays." They were successful in their arguments and the patent was duly issued.

The claims in issue describe a specialized form of radioactivity well logging, known as "spectral logging", in which the energies of gamma rays emanating from the earth's formations are measued to identify the type of formation found at a particular depth and in which a discriminator is used to separate out and reject signals derived from gamma rays having less than specified energies. The gamma rays are detected and their energies measured by a scintillation counter, which is located in the lower part of the housing that is lowered into the well by a cable and which has three basic elements: A phosphor which emits brief flashes of light, i.e., scintillations, when exposed to radiation; a photo-sensitive element, i.e., photo-multiplying tube, to receive the scintillations and convert them into electronic pulses; and an indicator means, usually in the form of a counting rate meter, that is connected to the photo-sensitive element and used to receive and send on the pulses or characteristics of the gamma rays.

The phosphor in this patent is a single unit crystal, having a mass of at least 10 grams, and is made of sodium iodide activated by thallium. It must be protected from the effect of moisture in the atmosphere and this is accomplished by covering it with a protective shield, which also serves the purpose of reflecting any light emerging from parts of the crystal not adjacent to the photo-sensitive element back towards the

end of that element. The crystal scintillates or emits flashes of light as a result of its absorbing the energy of gamma rays when it is subjected to radiation bombardment. Each of the gamma rays detected by the crystal causes a separate scintillation and they are of different energies depending upon the elements of the formation from which they originate. For example, the energy of the gamma rays emitted by thorium is different from that of gamma rays produced by uranium and since each element, such as uranium or thorium, has its own particular gamma ray energy, it can be identified by measuring the energy of the gamma ray detected by the crystal. In addition to detecting the gamma rays, the crystal also converts them into light flashes of proportional energy, which are then received by the photo-sensitive element.

The photo-sensitive element is a photo-multiplying tube which, as it receives the scintillations or light flashes, converts each of them into an electronic or voltage pulse. This pulse has a height or voltage in direct portion to the light flash or scintillation and, thus, is proportional to the amount of energy contained by the original gamma ray. The electronic pulses then flow through an electric circuit to an amplifier, contained in the tube, where each of the electronic pulses is proportionally increased in voltage so that it may flow through an electric circuit located inside of the cable used to lower the tool into the well and, thus, to the surface of the ground. At the surface, the pulses pass through an amplifier, a discriminator and a counting rate meter and are then recorded in the form of a log.

The indicator means is a counting-rate meter and its function is to separately count the electronic pulses of

each size. An essential part of the indicator is a discriminator which acts as a threshold device or gate to screen out and reject spurious pulses generated by such things as noise in the photo-multiplying tube and elsewhere in the counter. By its use, pulses of less than any desired height or amplitude are eliminated and only those of a predetermined amplitude are passed and ultimately recorded. In other words, the function of the discriminator is to separate out all voltage plulses below a preselected energy level and reject them while at the same time allowing all pulses above that level to pass on for recording. There are two kinds of discriminators pertinent to this patent. An integral discriminator passes all electronic pulses larger than a predetermined level and screens out the rest. A differential discriminator is comprised of two integral discriminators so arranged as to select all electronic pulses larger than a first predetermined level and smaller than a second similar level or, stated in another way, it selects and permits the counting of electronic pulses within a certain band.

The McCullough tool, manufactured under this patent by exclusive license, therefore contains a scintillation counter, rather than a Geiger counter or ionization chamber, and also a casing collar locator to establish depth. It functions in this way: As the tool is lowered into the well, the gamma rays emitted from the particular earth formation present are detected by the crystal and converted into light flashes or scintillations; the scintillations are received by the photo-multiplier and converted into electronic pulses; the electronic pulses are amplified and sent out through an electronic circuit to a discriminator where they are rejected or passed through; and the electronic pulses passed through are

recorded to form a log of the formations encountered. The composition of the formation at any designated depth can be determined because the gamma rays emitted by the type of material in the formation contain or possess a certain energy which is measured by the crystal and kept uniform throughout the ensuing process until recorded. Unlike the tool described in Swift, which has only one recording means to record signals originating in a single formation recorder, the McCullough tool sends two separate sets of signals to the surface where they are recorded on two recorders. This is because there is one set of signals for the casing collar locator that is sent through one circuit and another set of signals from the formation detector that is sent through another circuit.

The asserted inventive feature of the patent in suit is an alleged new combination of elements having a new mode of operation, which is said to be unique in the following respects: It is the first device to accomplish the identification of chemical elements contained in bulk material such as earth formations so that the presence of different unknown chemical elements can be detected; it is the first to identify chemical elements in bulk material by measuring the precise energies of the gamma rays emitted therefrom and discarding undesirable gamma ray energies which interfere with effieient and effective determinations; and it is the first to conceive and develop a single, thallium activated, sodium iodide crystal which is transparent to its own scintillations and of sufficient size to completely absorb the energy of detected gamma rays.

The trial court concluded that the claims in issue are valid but "* * * are limited to scintillation counter apparatus for the determination of energy characteristics of gamma rays by analyzing the pulses generated by the gamma rays to determine energy characteristics either by variation of an integral discriminator setting or by use of a differential discriminator." (199 F. Supp. at 388) Both parties have appealed from this determination. McCullough claims that its tool manufactured in accordance with the patent under an exclusive license is a new combination of elements and produces a new result never before attained and therefore the claims are valid in their entirety. Since the argument in this respect furnishes the basis for McCullough's claim of infringement, it will be more convenient to discuss it in connection with that issue.

WSI contends that the Pringle Patent is invalid, even when the claims in issue are limited to a scintillation spectrometer, because it lacks novelty and invention over the prior art. It asserts that everything covered by Pringle was known and published in the art before the patentees made their alleged invention. In the court below WSI relied upon a total of 165 references consisting of 47 prior patents and 118 technical articles or publications. However, in connection with this appeal it apparently relies upon only two of the patents[5] and several of the printed publications.[6] None of these publica-

[5]They are Patent No. Re. 24,226 (hereinafter referred to as the Fearon Reissue Patent) and Patent No. 2,549,176 (hereinafter referred to as the Crumrine Patent).

[6]They are the following articles published on the dates indicated: Deutsch - December 1, 1947; Moon - May 15, 1948; Bell - June 1, 1948; Hofstadter - July 1, 1948 and July 22, 1948; Morton and Mitchell - December, 1948; and the Oak Ridge Symposium - October, 1949 and October 21,1949.

tions were cited by the Patent Office and each and every one of them deals with scintillation counters in one way or another. All of such publications are reports on laboratory experiments which were not conducted with a view to producing an instrument suitable for logging an oil well by measuring energies of gamma rays to determine the type of formation producing them. In short, none of the prior art references, including the patents, are concerned with the problem of identifying chemical elements mixed in bulk, such as formations of the earth, by measuring the energies of gamma rays emitted therefrom. Nor do any of them teach the using of a scintillation counter combined with a discriminator, for measuring not only the intensities of gamma rays but also their energies and the rejection of pulses above or below a predetermined level so as to provide a means of geophysical exploration and the making of neutron or radioactivity well logs.

We must first determine whether the claimed invention lacks the element of novelty or is anticipated by the prior patents and printed publications. In this connection, this court has held that the burden is upon the one asserting anticipation to sustain it by clear and convincing evidence and a patent is to be measured as anticipatory, not by what might be made out of it, but by what it clearly and definitely discloses. Mott Corporation v. Sunflower Industries, Inc., supra. In order for a prior patent to anticipate an invention, it is necessary that all of the elements of the invention or their equivalents be found in one single structure or description, where they do substantially the same work in substantially the same way. Preformed Line Products Co. v. Fanner Mfg. Co., 6 Cir., 328 F.2d 265, cert.

denied, ....U.S. ...., 13 L. Ed. 2d 51. In order for a prior printed publication to anticipate an invention the description contained therein must disclose the complete and operative invention in such full, clear and exact terms as to enable any person skilled in the art to which it pertains to practice the invention to the same extent as he would be enabled to do if the information were derived from a prior patent. Eames v. Andrews, 122 U.S. 40; 40 Am. Jur., Patents, § 37, p. 554. In short, a printed publication is to be tested by the same rules as those applicable to a prior patent. 69 C.J.S., Patents, § 41, p. 232. Anticipation is strictly a technical defense and unless all of the same elements are found in exactly the same situation and united in the same way to perform an identical function, there is no anticipation. National Lead Company v. Western Lead Products Company, 9 Cir., 324 F.2d 539; Stauffer v. Slenderella Systems of California, 9 Cir., 254 F.2d 127.

It is clear that the prior patents and publications relied upon by WSI do not meet the standards required of them to constitute anticipation. No single patent or publication comes anywhere near to a disclosure of the elements of the Pringle Patent. None of them contain a description in "such full, clear and exact terms as to enable any person skilled in the art to which it pertains to practice the invention to the same extent as he would be enabled to do if the information were derived from a prior patent." The very fact that WSI found it necessary to rely upon 165 prior references is in itself an indication of the weakness of the claim that Pringle is lacking in novelty. See Reynolds v. Whitin Mach. Works, 4 Cir., 167 F.2d 78, 83, 84, cert. denied, 334 U.S. 844.

It is suggested, however, that Pringle is nothing more than an aggregation of elements old in the art and as such it comes within the rules of Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp., supra. Of course, to establish anticipation in such a situation, it is not necessary that all of the elements be found in a single patent or publication. It is enough if the whole of the prior art considered together discloses all of the claimed elements and that no new functional relationship arises from their combination. Doran Coffee Roasting Co. v. Wyott Manufacturing Co., 10 Cir., 267 F.2d 200; Hollywood-Maxwell Co. v. Street's of Tulsa, 10 Cir., 183 F.2d 261. In order to anticipate a patent for a combination, the prior art must disclose all of the elements of such combination or their mechanical equivalents, functioning in substantially the same way to produce substantially the same result. Williams Iron Works Co. v. Hughes Tool Co., 10 Cir., 109 F.2d 500. Rudimentary or unsuccessful experiments with isolated elements of a combination do not anticipate an invention which successfully combines those elements. Smith v. Snow, 294 U.S. 1; Stearns v. Tinker & Rasor, 9 Cir., 220 F.2d 49, cert. denied, 350 U.S. 830; G. H. Packwood Mfg. Co. v. St. Louis Janitor Supply Co., 8 Cir., 115 F.2d 958. And, "* * * whoever finally perfects and improves a device and renders it capable of practical, useful and effective operation is entitled to a patent although others had the idea and made experiments toward putting it into practice. * * *" Montgomery Ward & Co. v. Clair, 8 Cir., 123 F. 2d 878, 881.

These rules are controlling here. The prior printed publications were all concerned with experiments which,

if they were not rudimentary or unsuccessful experiments of isolated elements of the combination disclosed in Pringle, certainly did not perfect and improve the device embodied in Pringle or its equivalent or render it capable of practical, useful and effective operation. Thus, the prior art, considered together as a whole, does not anticipate the Pringle Patent, which did put the idea into practice. Pringle must therefore be considered to be a valid combination unless, as WSI asserts, it would have been obvious to a person having ordinary skill in the art.

The general rule is that before a device may be patentable, the improvement over the prior art must involve more than would be obvious to one of ordinary skill in the art. Admiral Corporation v. Zenith Radio Corp., supra; Philip Sitton Septic Tank Company v. Honer, 10 Cir., 274 F.2d 811; E. J. Brooks Company v. Stoffel Seals Corporation, 2 Cir., 266 F.2d 841, cert. denied, 361 U.S. 883. If those skilled in the art are working in a given field and have failed after repeated efforts to discover a particular new and useful improvement, the person who first makes the discovery does more than make the obvious improvement which would suggest itself to a mechanic skilled in the art, and is entitled to protection as an inventor. Bewal, Inc. v. Minnesota Mining and Mfg. Co., 10 Cir., 292 F.2d 159; Williams Iron Works Co. v. Hughes Tool Co., supra; Steiner Sales Co. v. Schwartz Sales Co., 10 Cir., 98 F.2d 999, cert. denied, 305 U.S. 662; G. H. Packwood Mfg. Co. v. St. Louis Janitor Supply Co., supra.

We think that, when measured by the foregoing rules, the Pringle device, as limited by the trial court, is not only novel but was not obvious and constitutes invention as well. The record indicates that numerous efforts were made to discover the new and useful improvement embodied in the Pringle Patent and that the Pringle device produced a log correlating porosity with depth which was far superior to any other on the market at that time. This result, we believe, constitutes more than the exercise of mere mechanical skill.

WSI's final contention is that if the 10 gram size of the crystal is critical, then claims 1, 2, 8, 13, 14, 20, 21 and 22 of the patent in suit are invalid because they are based upon "new matter" in contravention of 35 U.S.C.A. § 132 and if the crystal size is not critical, then such claims are invalid because they are based upon a mere change in degree or proportion in violation of the rule laid down in Powers-Kennedy Contracting Corp. v. Concrete M. & C. Co., 282 U.S. 175, 185, and other similar cases. Little need be said on this point. The complete answer to it is that it is not the size or weight of the crystal that contributes patentability to the claimed invention. It is the method and apparatus for analyzing the pulses generated by gamma rays to determine energy characteristics and the recording thereof either by variation of an integral discriminator or by use of a differential discriminator that makes this invention patentable. We are convinced that the patent in suit is valid when limited as specified by the trial court.

**Infringement of Bender Reissue and Fearon Patents.**

The questions of infringement with respect to the Bender Reissue and Fearon Patents are closely related and may be considered together. As to Bender, the trial court found: The natural gamma ray logging apparatus and method utilized by McCullough includes each and every step recited in the Bender claims in issue and includes each and every element of the Bender apparatus and method; each of the Bender claims in issue reads directly on the McCullough apparatus and method; McCullough accomplishes the same result in substantially the same way as Bender and is the full equivalent thereof; and therefore each of the Bender claims in issue was infringed by McCullough. (199 F. Supp. at page 379) The court made similar findings as to Fearon (199 F. Supp. at page 382) and in connection with both patents found: Geiger counters, ionization chambers and scintillation counters are all radiation detectors sensitive to gamma rays; they all accomplish the same result in substantially the same manner; they all detect radiation by producing electrical signals indicative thereof; it is a matter of choice as to which one of them is used; the resulting logs are substantially the same regardless of the type of detector used; the scintillation counter used by McCullough performs no different function than that performed by the Geiger counter of Bender in natural gamma ray logging or by the ionization chamber of Fearon in neutron logging, the modes of operation are the same and they are full equivalents; and the claims in issue of each patent are not limited to any specific type of radiation detector. (199 F. Supp. at pages 379-380 and pages 382-383) The court also found that while a scintillation counter may be used

to determine the energy spectrum of natural gamma rays or of radiations resulting from neutron bombardment, the energy spectrum principle was not utilized by McCullough in its conventional gamma ray or neutron logging operations. (199 F. Supp. at 380 and 383)

McCullough contends that these findings are erroneous and that the two patents in suit are not infringed because the apparatus and method used by it in each type of well logging equipment consists of a different combination of elements which has a different mode of operation and produces a different result. This contention is based upon the fact the McCullough apparatus and method uses a scintillation counter as a radiation detector, which is capable of measuring both intensity and energy of a gamma ray, whereas Bender uses a Geiger counter and Fearon uses an ionization chamber, neither of which is capable of measuring energy. As McCullough points out, Bender is comprised of a Geiger counter, an amplifier and a recorder. Fearon is made up of an ionization chamber, a direct current amplifier and a recording galvanometer. The McCullough tool consists of a sodium iodide crystal, a reflector shield, a photo-multiplying tube, a pulse lengthening circuit, a pulse amplifier, a discriminator and a counting-rate meter. As to mode of operation, a Geiger counter converts gamma rays directly into electronic pulses of the same size and all pulses are recorded. An ionization chamber converts gamma rays directly into a continuous current flow and only an average flow is recorded. A scintillation counter converts gamma rays into light flashes of proportional energy and the light flashes are in turn converted by the photo-multiplying tube into voltage pulses. It can be used so that only those voltage pulses

of a preselected energy are recorded. In results produced, only by using a scintillation counter can pulses proportional to the energies of gamma rays be rejected as being below or above a predetermined level and thus be excluded from the log. None of these pulses can be excluded where a Geiger counter or an ionization chamber is used. These are only a few of the asserted differences but they illustrate McCullough's argument.

However, it must be remembered that the Bender invention is an apparatus and method for natural gamma ray logging and not a Geiger counter. By the same token, the Fearon invention is not an ionization chamber but an apparatus and method for neutron logging. It must also be remembered that the court found that the energy measuring capability of the McCullough scintillation counter was not utilized by it in its conventional gamma ray and neutron logging operations. As a result, many of the obvious differences between Bender and Fearon, on the one hand, and McCullough, on the other, are not material here. The issue is whether the material differences are sufficient to preclude a finding of infringement.

The question of infringement is one of fact and, upon review, the trial court's findings thereon will not be set aside unless they are clearly erroneous. Stilz v. United States, 269 U.S. 144; Hahn & Clay v. A. O. Smith Corporation, 5 Cir., 320 F.2d 166, cert, denied, 375 U.S. 944. Therefore, our power of review is limited to determining whether, under correct legal standards, the findings of infringement are supported by the record.

In determining whether an accused device infringes a valid patent, resort must be had in the first instance

to the words of the claims contained in the patent and if the accused device falls clearly and definitively within those claims, infringement is made out. Graver Tank Co. v. Linde Air Products Co., supra; Parmelee Pharmaceutical Company v. Zink, 8 Cir., 285 F.2d 465; Maytag Company v. Murray Corporation of America, 6 Cir., 318 F.2d 79. However, this is not conclusive as infringement is not a mere matter of words. Pursche v. Atlas Scraper and Engineering Co., supra; Nickerson v. Bearfoot Sole Company, 6 Cir., 311 F.2d 858, cert. denied, 375 U.S. 815. The true test of infringement is whether the accused device and the device covered by the patent do the same work in substantially the same way to accomplish substantially the same result. Bewal, Inc. v. Minnesota Mining and Mfg. Co., supra; Jamco, Incorporated v. Carlson, 10 Cir., 274 F.2d 338; Jones v. Bodaness, 10 Cir., 189 F.2d 838; Williams Iron Works Co. v. Hughes Tool Co., supra.[1] Under the doctrine of equivalents, infringement may exist even though the two devices differ in name, form or shape. Graver Tank Co. v. Linde Air Products Co., supra. Equivalency must be determined against the context of the patent, the prior art and the particular circumstances of the case and complete identity for every purpose and in every respect is not required. Jones v. Bodaness, supra.

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[1]This court said in Merrill v. Builders Ornamental Iron Co., 10 Cir., 197 F.2d 16, 20:

"* * * Infringement exists only when the accused apparatus or device and the disclosure of the patent in suit are substantially identical in mode of operation and results accomplished. An apparatus or device does not infringe unless it incorporates in its structure and operation the substance of the patent and produces substantially the same effect in substantially the same way as that taught in the patent. * * *"

A primary or pioneer patent, such as Bender, is to be given a broad and liberal construction and, also, a broad and liberal range of equivalence and it is not to be limited to the precise device and instrumentality disclosed. Mason Corporation v. Halliburton, 10 Cir., 118 F.2d 729; Priebe & Sons Co. v. Hunt, 8 Cir., 188 F.2d 880, cert. dismissed, 342 U.S. 801. A combination patent which constitutes a marked improvement in the art, such as Fearon, is entitled to a substantial range of equivalents. Skinner Bros. Belting Co. v. Oil Well Improvements Co., 10 Cir., 54 F.2d 896; Johns-Manville Corporation v. National Tank Seal Co., 10 Cir., 49 F.2d 142, cert. denied, 284 U.S. 654. And, of course, every element of a combination patent is conclusively presumed to be essential and therefore every element, or its functional equivalent, must be found in the accused device or there is no infringement. Texas Co. v. Anderson-Prichard Refining Corporation, 10 Cir., 122 F.2d 829; Haynes Stellite Co. v. Osage Metal Co., 10 Cir., 110 F.2d 11.

Giving the two patents in suit the range of equivalents to which they are entitled, we think the accused McCullough devices not only read directly upon the Bender and Fearon claims, but they do the same work in substantially the same way to accomplish substantially the same result. It is true that there are differences in name, form and shape as between a Geiger counter, an ionization chamber and a scintillation counter. But, the energy measuring capability of the scintillation counter is not used in the accused devices and therefore all three of them do substantially the same thing, namely, measure the intensity of gamma ray radiations or neutrons. McCullough's own expert witness testified on

cross-examination that Geiger counters, ionization chambers and scintillation counters all measure gamma rays and that the one chosen to be used depends upon the particular problem at hand. It is also true that for some purposes the scintillation counter is superior to the other two and that it performs the additional functions of converting gamma rays into light flashes and providing pulses rather than a continuous flow. But infringement cannot be avoided by the mere fact that the accused device is more or less efficient or performs additional functions. Johns-Manville Corporation v. National Tank Seal Co., supra. It is clear from the record that insofar as conventional gamma ray and neutron logs are concerned, there is no significant difference between the logs regardless of which type of radiation detector is used to produce them. The accused McCullough apparatus and method and the Bender apparatus and method do substantially the same work in gamma ray logging in substantially the same way to accomplish substantially the same result. This is also true as to McCullough and Fearon in neutron logging. We must therefore conclude that the court's findings of infringement with respect to the Bender Reissue and Fearon Patents are not clearly erroneous.

**Infringement of the Swift Patent.**

The trial court's findings with respect to infringement of the Swift Patent are as follows: The accused McCullough logging apparatus with casing collar locator, both structurally and functionally, is substantially the same as the combination disclosed in Swift; each and every element of the Swift claims in issue is employed in the McCullough device and is used in the same way

to achieve the same result; each of those claims reads directly upon the McCullough device; and the Swift patent is infringed by the accused device. (199 F. Supp. at 386-387)

McCullough contends here, as it did at the trial, that its device does not infringe Swift because that device has a different combination of parts and a different mode of operation. In this connection, the lower court found, and the evidence confirms, that the Swift casing collar locator produces a surge of negative current every time it passes a casing collar, which surge interrupts the formation signals so that the latter drop to zero, and in the McCullough device there is no interruption of the radiation signals because continuous signals are provided from both the casing collar locator and the radiation detector. McCullough also points out that the Swift tool utilizes only one pen to record both the casing collar and radiation signals whereas the accused device uses two pens, one of which records casing collar signals and the other radiation signals, and argues that Swift is limited to a device in which the radiation signals are interrupted and in which only one pen is used to record the signals.

The trouble with this contention is that the claims are not so limited and the claims are the sole measure of the grant. Aro Mfg. Co. v. Convertible Top Replacement Co., 365 U.S. 336. Moreover, it appears from the Swift file wrapper that at one time the system whereby the signals are interrupted was explicitly claimed but was cancelled, thus indicating that the interruption feature was not critical to the invention. And, the patent itself recites that a possible variation of the device is to use two pens for the purpose of recording the two sets

of signals. In view of this, it is not surprising the court found that the interruption system was but one of several available means by which the radiation and casing collar signals could be transmitted and the Swift claims were not limited to that system and that none of the Swift claims were limited to a one pen recorder or a two pen recorder.

McCullough next asserts that Swift is limited to an interrupted signal system and one pen recorder by virtue of the doctrine of file-wrapper estoppel. However, the essence of the doctrine is that a patentee may not expand his allowed claims by interpretation to embrace features which he disclaimed in order to overcome objections by the Patent Office on the basis of prior art disclosures. Doran Coffee Roasting Co. v. Wyott Manufacturing Co., supra. It is not applicable where the patentee's difficulty results not from prior art similarities but from the wording and indefiniteness of the claims. Sears, Roebuck & Co. v. Jones, supra. In this case, the original claims upon which McCullough relies to invoke the doctrine were not rejected because they were unpatentable over the prior art. They were rejected on the formal grounds of being improper method claims and therefore file-wrapper estoppel is not applicable.

It is obvious from the record that the accused device does the same work in substantially the same way to accomplish substantially the same result as the device disclosed in Swift. Thus, the findings of infringement of the Swift Patent are not clearly erroneous.

**Infringement of the Pringle Patent.**

The lower court found in connection with Pringle that a fixed integral discriminator used in conjunction with a scintillation counter having a single crystal of at least 10 grams does not infringe any of the valid Pringle claims in issue, as limited; that infringement requires the use of either a variable integral discriminator or a differential discriminator; that the accused WSI instruments which utilize a single fixed integral discriminator to measure the intensity of gamma rays above a fixed discrimination level did not infringe the Pringle claims; and that the Dresser "Chlorinilog" device and method, which comprises a conventional neutron-gamma ray log made with a scintillation counter at a given discrimination level and a second neutron-gamma ray log made with the scintillation counter at a different discrimination level, did infringe the Pringle claims in issue. (199 F. Supp. at 388-389)

McCullough contends that the WSI instruments which utilize a fixed integral discriminator infringe the Pringle Patent and that the court's finding to the contrary is erroneous as is the holding that the Pringle claims in issue are invalid unless limited to spectral logging. In support of this contention, McCullough argues that a single fixed integral discriminator can be used to measure the energy of gamma rays and the finding to the contrary is in error. Thus, it argues, the WSI instruments which utilize the single fixed integral discriminator do infringe the Pringle claims. Of course, McCullough's argument here completely overlooks the crucial point made by the lower court during the course of the trial. That point is that unless the Pringle claims in issue are limited in the manner specified, they are

invalid over the prior art and an invalid patent cannot be infringed. Consolidated Electro. Corp. v. Midwestern Instruments, supra. When the claims in issue are limited as they must be in order to be valid over the prior art, the accused devices do not infringe those claims because they do not use either a variable integral discriminator or a differential discriminator.

WSI contends that the Dresser Chlorinilog operations do not infringe Pringle because they do not utilize a varying integral discriminator or a differential discriminator and they do not use a dual purpose shield, i.e., a shield to reflect and protect from moisture. Little need be said here. It is sufficient to say that the record clearly discloses the use of a variable integral discriminator in the Chlorinilog operations and that the Pringle claims are no more limited to a single shield for performing the dual function of moisture protection and reflection than the Swift claims are limited to an interrupted signals sytem. It is not the shield that is patented in Pringle. It is the method of logging that is patented. Beyond question, the Chlorinilog does substantially the same work as the apparatus and method disclosed in Pringle and in substantially the same way to accomplish substantially the same result. Infringement of the Pringle Patent, as the claims are limited, is therefore established.

**The Issue of Misuse.**

The record clearly establishes, and the parties do not dispute, that WSI misused its patents in certain respects over the years. The controversy centers around the lower court's holding that such misuse was discontinued and purged as of June 1, 1956. McCullough

appeals from that holding and contends that there has been no purge and the misuse has never been discontinued. WSI has cross-appealed contending that the purge was effected as of April 1, 1954. The issues then are whether WSI effected a purge of its wrongdoing and, if so, when.

On June 11, 1940, WSI entered into its first written license agreement with Lane-Wells. At this time, Lane-Wells was engaged in the business of oil well servicing for hire and, among other logging operations, rendered radioactivity well logs from shortly after June 11, 1940, until its liquidation in 1958. Lane-Wells was then the owner of the Bender Reissue Patent but did not conduct any research in the field and did not manufacture apparatus for radioactivity well logging. It held no patents relating to such logging other than Bender and confined itself to rendering well completion services for hire to others. On the other hand, WSI did hold a number of patents and patent applications relating to radioactivity well surveying and was conducting research and development work in that field as well as manufacturing apparatus for use in that field.

In the contract of June 11, 1940, WSI licensed Lane-Wells under its patents to engage in radioactivity well surveying for others for hire and such license was exclusive with two exceptions, one of which was that WSI reserved the right to practice the methods for its own account. The agreement contained, among others, the following conditions: (1) Lane-Wells was required to purchase from WSI all detecting and recording instruments for use in its radioactivity well logging services, including those used in the exercise of the licensed right, together with all equipment and ma-

terial directly related to radioactivity measurements; and (2) Lane-Wells agreed that it would not, during the contract term, engage intentionally in research and development work in radioactivity well logging but would leave such research to WSI, which agreed to continue it. This contract originally was to be in effect until December 3, 1950, and from year to year thereafter unless terminated by notice. However, under an agreement dated January 1, 1948, it was extended to December 31, 1960, but was actually terminated on April 16, 1951.

On March 3, 1942, WSI and Lane-Well entered into a second written agreement under the terms of which WSI granted an exclusive license to Lane-Wells covering its new method of radioactivity well logging by means of "neutron-gamma ray logging". This is the method covered by the Fearon Patent in suit. This contract contained the same exceptions and conditions as those contained in the June 11, 1940, agreement. It was extended to December 31, 1960, and then terminated on April 16, 1951.

On July 30, 1945, WSI and Lane-Wells entered into a third written agreement which granted an exclusive license to Lane-Wells under the WSI patents relating to a means or method for locating casing collars in radioactivity well logging for others for hire, *i.e.*, the method and apparatus covered by the Swift Patent in suit. This contract contained the same two exceptions as did the other contracts. However, the agreement was conditioned only by requiring Lane-Wells to purchase all detecting and recording instruments utilized in practicing the licensed method from WSI. The con-

tract was extended and terminated in the same manner as the two preceding agreements.

On April 16, 1951, WSI and Lane-Wells entered into another written contract, under the terms of which Lane-Wells surrendered its exclusive licenses granted in the three preceding contracts and such contracts were terminated. This agreement apparently came about, at least in part, as the result of two factors. In 1948, the first competition in the field appeared on the scene and, in 1950, Lane-Wells purchased the one-half interest in WSI capital stock that was formerly held by individual stockholders. By the terms of the new contract, Lane-Wells received a non-exclusive license under all of WSI's patents, including the three patents in suit, and agreed that WSI could license other persons to practice its patented methods. However, the right to license third persons was conditioned upon the using of one of two alternative agreement forms and upon the terms stated in the contract, except with the consent of Lane-Wells. These contract terms required that the licenses be granted only under all of WSI's patents and at fixed royalty rates. The two forms of license agreements were denominated as "Immunity" and "Research-Service and License" agreements and the precise forms thereof were set forth as exhibits to the April 16, 1951, contract. Lane-Wells was not granted a license to manufacture or procure instruments for practice of the licensed methods and none was permitted to be granted to research and service licensees. And, the royalty base of licenses which WSI was permitted to make with third parties was required to extend to all radioactivity well logging whether or not accomplished by a licensed means or method, except as Lane-Wells might otherwise consent.

The two forms of license agreements were to be offered on an alternative basis. The Immunity Agreement was designed for licensees who desired to do their own research and manufacture their own equipment. It was a bare license, at a royalty rate of 5 per cent, under all of the WSI and Lane-Wells patents relating to radioactivity well logging issued on or before December 31, 1950. Under this type of agreement the licensee could make his own instruments or have someone else make them but did not have the right to purchase the instruments from WSI or to receive the benefit of WSI's research. The Research-Service and License agreement was designed for licensees who did desire to take advantage of WSI's research efforts and to purchase the necessary instruments from WSI. It fixed the royalty rate at 15 per cent and granted a license under all present and future patents of WSI and Lane-Wells. This type of agreement did not grant a licensee the right to manufacture instruments himself or have them manufactured by someone else. Although it did not specifically require a licensee to purchase his instruments from WSI, the practical effect of this agreement was that a licensee would be guilty of infringing WSI's patents if he purchased infringing instruments from a source other than WSI.

The April 16, 1951, contract was to remain in effect until December 31, 1960, and from year to year thereafter until terminated by notice. It was in fact terminated by a subsequent agreement between the parties dated June 1, 1956. On that date, WSI and Lane-Wells entered into a written agreement which the trial court found resulted in a "decisive change" in WSI's patent licensing policy. The April 16, 1951, agreement

was terminated and the standard forms of license agreement were amended to permit research and service licensees to manufacture or procure instruments from sources other than WSI. This agreement did not contain any provision limiting the right of WSI to license others or requiring the consent of Lane-Wells to any such license. In addition, WSI published notice advising the public that it was prepared to license any or all of its patents on reasonable terms, it wrote letters to all of its existing licensees offering termination of existing agreements and negotiation of new ones on reasonable terms and it was willing to grant licenses under its patents, individually or collectively, upon negotiated reasonable terms.

The lower court found and held: By the agreements of June 11, 1940, March 3, 1942, and July 30, 1945, WSI misused its patents in that the agreements required Lane-Wells to purchase all of its detecting and recording instruments from WSI and prohibited Lane-Wells from engaging in research; during the effective periods of those three contracts, Lane-Wells did, in fact, purchase all instruments from WSI and refrain from conducting research in accordance with such contracts; the April 16, 1951, agreement was a substantial change from the 3 prior contracts in that it did not expressly provide that Lane-Wells should purchase the instruments from WSI and did not restrict Lane-Wells from conducting research; however, the April 16, 1951, contract did in fact also involve misuse of patents in two respects by requiring WSI to obtain the consent of Lane-Wells before granting a license to a third party on any form other than the standard forms set forth as exhibits to the agreement

thereby coercing the acceptance of the standard forms and by the failure to give a Research-Service licensee an express license to manufacture its own instruments, the licensee in effect was compelled to buy any instruments covered by WSI patents from WSI; from April 16, 1951, until June 1, 1956, WSI was dominant in the market for the sale of instruments and apparatus for radioactivity well logging and refused to sell such apparatus to persons other than those holding one of its license agreements; after June 1, 1956, it was no longer dominant in the market; by its actions in 1956, WSI "* * * accomplished a complete purge of previously existing patent abuses as of June 1, 1956. * * *"; and the royalty base employed in the license agreements by WSI after june 1, 1956, which included operations covered by expired patents, was not coercive but was voluntary upon the part of the licensees.

The law in this area is no longer open to question. It has been held in a long line of patent cases that a patentee who utilizes a so-called "tying arrangement" will be denied all relief against infringement of his patent. The White Motor Company v. United States, 372 U.S. 253; International Salt Co. v. United States, 332 U.S. 392; Mercoid Corp. v. Mid-Continent Investment Co., 320 U.S. 661; Morton Salt Co. v. G. S. Suppiger Co., 314 U.S. 488; Ethyl Gasoline Corp. v. United States, 309 U.S. 436; Leitch Mfg. Co. v. Barber Co., 302 U.S.458; Carbice Corp. v. American Patents Development Corp., 283 U.S. 27; Motion Picture Patents Co. v. Universal Film Mfg. Co., 243 U.S. 502; Cole v. Hughes Tool Company, 10 Cir., 215 F.2d 924, cert. denied, 348 U.S. 927; Williams v. Hughes Tool Co., 10 Cir., 186 F.2d 278, cert. denied, 341 U.S. 903; Ber-

lenbach v. Anderson and Thompson Ski Co., 9 Cir., 329 F.2d 782, cert. denied, 13 L. Ed. 2d 39. The Supreme Court stated in United States v. Loew's, Inc., 371 U.S. 38, 46, that "* * * [t]hese cases reflect a hostility to use of the statutorily granted patent monopoly to extend the patentee's economic control to unpatented products. The patentee is protected as to his invention, but may not use his patent rights to exact tribute for other articles." A tying arrangement has been defined as "* * * an agreement by a party to sell one product but only on the condition that the buyer also purchases a different (or tied) product, or at least agree that he will not purchase that product from any other supplier * * *" and "* * * [w]here such conditions are successfully exacted competition on the merits with respect to the tied product is inevitably curbed. * * *" Northern Pacific R. Co. v. United States, 356 U.S. 1, 5, 6.

WSI contends that the April 16, 1951, agreement does not involve misuse of its patents and, in any event, such misuse was discontinued and purged as of April 1, 1954. It argues that the provision of the contract requiring WSI to obtain the consent of Lane-Wells before granting licenses to third persons in other than the specified standard forms and its failure to give a Research-Service licensee an express license to manufacture its own instruments were not misuses of the patents. The lower court found that the practical effect of the Research-Service license agreements issued pursuant to the April 16, 1951, contract was to require such licensees to purchase the necessary instruments from WSI. There is no showing that this finding is clearly erroneous and it establishes the prohibited

"tying arrangement" that existed in the three prior contracts. Moreover, the contract imposes definite restrictions and restraints upon WSI's own activities and dealings with third parties in regard to its patents. It has been held that such agreements are against the public interest. McCullough v. Kammerer Corporation, 9 Cir., 166 F.2d 759, cert. denied, 335 U.S. 813; United States v. Besser Mfg. Co., 96 F. Supp. 304 (E.D. Mich. 1951), aff'd, Besser Manufacturing Co. v. United States, 343 U.S. 444. Thus, the contract involves two prohibited provisions and is against the public interest.

WSI's argument on the point of discontinuation and purge of the misuse as of April 1, 1954, is apparently based upon the fact that as of that date Lane-Wells became the sole owner of all of the WSI stock and, therefore, there could be no illegal activity under the rule announced in Alpha Distributing Co. of Cal. v. Jack Daniel's Distillery, 207 F. Supp. 136 (N. D. Cal. 1961), aff'd, 9 Cir., 304 F.2d 451. That case is not applicable here. It involved price fixing and concert between corporate affiliates to select a distributor. It does not involve patent licensing agreements which impose restrictions and restraints upon one party thereto and it has nothing whatever to do with a "tying arrangement".

This case then involved a situation in which the contract providing for the prohibited practices endured in legal effect and in actual performance until June 1, 1956, at which time it was terminated. The acquisition of the remaining WSI stock by Lane-Wells on April 1, 1954, did not effectuate any basic change in the form of the contract, the practical relation of the parties or the performance of the contract. It was

treated by both parties as legally binding and they continued to deal at arm's length. In short, there is nothing but the bare change in ownership of WSI stock to support WSI's position and under the law that is not sufficient to effect a purge. United States Gypsum Co. v. National Gypsum Co., 352 U.S. 457.

This brings us to the question presented on the direct appeal, namely, whether the lower court erred in holding that WSI had discontinued its misuse and purged itself as of June 1, 1956. McCullough first argues that the misuse of utilizing the so-called "tying arrangement" continued in at least 3 instances after June 1, 1956, and that the effects of such misuse have never been fully dissipated. This assertion is not borne out by the record. The new agreement forms provided by the June 1, 1956, contract eliminated the two conditions in the April 16, 1951, agreement which were held to be improper. In addition, WSI notified its licensees and potential licensees by letter and public notice that it would enter into new agreements or renegotiate old agreements on reasonable terms under any or all of its patents.

The second point has to do with the licensing methods used by WSI. McCullough asserts that WSI misused its patents by conditioning the licensing agreements upon the acceptance of a license under all of its patents in violation of the "package" or "block-booking" rules and that such misuses were never discontinued. It is true that a patentee unlawfully uses a patent monopoly when, for a fixed royalty, he refuses to grant a license under one or more of his patents unless a license is taken under all of his patents. United States v. Paramount Pictures, Inc., 334 U.S. 131;

Ethyl Gasoline Corp. v. United States, 309 U.S. 436. However, in order to constitute a misuse, there must be an element of coercion, such as where there has been a request by a prospective licensee for a license under less than all of the patents and a refusal by the licensor to grant such a license. Automatic Radio Mfg. Co. v. Hazeltine Research, Inc., 339 U.S. 827. There is no such showing of coercion in this case. In fact the trial court specifically found: "After June 1, 1956, WSI has been willing to grant licenses on its patents individually or collectively upon negotiated reasonable terms. * * * There was no coercion of licensees contracting subsequent to June 1, 1956, to accept license under all of the WSI patents unwillingly." (199 F. Supp. at 395)

Finally, McCullough contends that WSI has misused its patents, and continues to misuse them, by including unpatented operations in the royalty base under the license agreements and by collecting royalties under those agreements on operations covered by expired patents. It asserts that the patent relationship between a patentee and the sovereign requires that an expiring patent be made absolutely free to the unencumbered practice of all and that any restrictions upon such free practice by any means whatsoever is prohibited. It is undisputed that the license agreements in question are of the "package" type, under which all of WSI's patents in the field of radioactivity are included. The record does, indeed, show that under most, if not all, of those agreements the royalties payable are based upon the gross charges made by the licensee for his radioactivity well logging operations, including those not covered by the WSI patents. The record also shows that the royalty base in many, if not all, of the license agree-

ments includes operations covered by patents that expired after the agreements were entered into by the parties.[8] In addition, the trial court found, and the evidence confirms, that WSI continued to the date of judgment below to grant licenses in which the royalty base includes receipts derived from operations covered by the expired Bender Reissue and Fearon Patents, except in instances where the licensee has accepted WSI's offer to license its patents on a narrower basis.[9] But, the trial court also found that while the royalty base in the license agreements made by WSI after June 1, 1956, purported to include operations covered by the expired patents, such agreements were not coerced by WSI but were voluntary on the part of the licensee.[10] And, it is clear from the record that all of the license agreements included patents which had not expired. It should also be remembered that on June

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[8]These are, of course, the Bender Reissue Patent, which expired on October 18, 1955, and the Fearon Patent which expired on January 12, 1960.

[9]The finding reads as follows:

"WSI has continued to the date of this finding to grant licenses in which the royalty base is all of the licensee's receipts from radioactivity well logging operations, including those covered by the expired Bender and Fearon neutron patents, except where the licensee has accepted WSI's offer to grant a license on an individual patent basis or on some other narrower basis. WSI continues to the date of this finding to receive royalty payments from one or more of its licensees calculated on a royalty base which includes receipts of the licensee from operations covered by the said expired Bender and Fearon patents."

[10]That finding is as follows:

"While the royalty base employed in the standard license agreements made by WSI after June 1, 1956, included or purported to include operations covered by the expired Bender patent, the extension of the royalty base to cover practice of expired patents was not coerced, after June 1, 1956, but was voluntary upon the part of the licensees, who were offered a real alternative by WSI's offer to grant a license under any individual patent or patents upon negotiated terms."

1, 1956, WSI initiated a policy whereby it offered to terminate existing agreements and negotiate new ones on reasonable terms covering any patents the licensee desired.

The question thus presented is whether a licensee agreement covering a package of patents, voluntarily entered into by the parties, is unlawful by reason of the fact that the royalties payable thereunder are based upon the licensee's overall operations and upon a package of patents, some of which have expired or will expire during the effective period of the agreement. The validity of such an agreement was upheld by the Supreme Court in Automatic Radio Mfg. Co. v. Hazeltine Research, Inc., 339 U.S. 827. The facts in that case are almost identical with the facts in this case. There, as here, the license agreements offered by the patentee were of the so-called package type and included all of its present and future patents. The package licenses were offered for a flat percentage of the licensee's operations, whether or not any of the patents were used. There, as here, some but not all of the patents had expired before the license agreement in question was executed and more of them would expire during the effective period of the agreement. The Court held that the royalty provision did not create a monopoly or operate as a restraint of trade. It noted that there was no evidence to show that the patentee had "* * * refused to grant a license under any one or more of its patents to anyone who refused to take a license under all * * *" (339 U.S. at 831) and said:

> "* * * We cannot say that payment of royalties according to an agreed percentage of the licensee's sales is unreasonable. Sound business judg-

> ment could indicate that such payment represents the most convenient method of fixing the business value of the privileges granted by the licensing agreement. We are not unmindful that convenience cannot justify an extension of the monopoly of the patent. * * * We hold that in licensing the use of patents to one engaged in a related enterprise, it is not per se a misuse of patents to measure the consideration by a percentage of the licensee's sale (339 U.S. at 834)

We have held our decision in this case in abeyance pending the opinion of the Supreme Court in Brulotte v. Thys Co., .... U.S. ...., 13 L. Ed. 2d 99. It was thought that Brulotte would have some bearing upon the aspect of the misuse issue presently before us and further arguments as to its applicability were heard upon the court's own motion. However, from those arguments and after a careful study of the Brulotte opinion, we are convinced that it does not compel or even justify a reversal on the issue of misuse. Nor do we think that other cases relied upon by McCullough require or justify such a reversal. E.g., Scott Paper Co. v. Marcalus Mfg. Co., 326 U.S. 249; Prestole Corporation v. Tinnerman Products, Inc., 6 Cir., 271 F.2d 146, cert. denied, 361 U.S. 964; Ar-Tik Systems, Inc. v. Dairy Queen, Inc., 3 Cir., 302 F.2d 496; American Securit Co. v. Shatterproof Glass Corp., 3 Cir., 268 F.2d 769, cert. denied, 361 U.S. 902.

We certainly recognize the principles enunciated in Brulotte and the other cases but think there are important distinctions between those cases, on the one hand, and the Hazeltine case and this case, on the

other. In Brulotte and Ar-Tik the license agreement under consideration attempted to extend the period for paying royalties beyond the date of expiration of the last of the patents covered by the agreement. That is not the case here or in Hazeltine. In the Art-Tik and Shatterpoof cases the licensees were coerced into taking a license agreement covering all of the licensor's patents by virtue of the licensor's refusal to grant anything but a package license agreement covering all of the patents. In other words, the licensee in those cases had to take all or none of the patents and no alternative was available. In both this case and Hazeltine, the package license was purely voluntary and a licensee who did not want the whole package could obtain a license on a reasonable basis covering any particular patent he did want. And, of course, neither the Scott Paper Co. case nor the Prestole case involved the issue of misuse of patents on the grounds here under consideration.

We conclude that the facts of this case as found by the trial court upon ample supporting evidence bring it squarely within the rule of Hazeltine. We therefore agree with the trial court that WSI misused its patents in suit for the period beginning June 11, 1940, and continuing until June 1, 1956, but that such misuse was purged as of June 1, 1956. WSI may not recover during the period of the misuse for infringement of the three patents but is entitled to have its valid and unexpired patents enforced against infringement occurring from and after June 1, 1956.

## The Motion for New Trial.

After judgment below, McCullough filed a motion for a new trial on the grounds of newly discovered evidence. This evidence consisted of expert opinions supporting the contention that the McCullough tool has a different mode of operation than Bender and Fearon; two WSI instruction manuals to prove non-infringement by the McCullough tool; and a series of demonstrations made by one of its witnesses at the hearing upon the motion below.

A motion for new trial is addressed to the sound discretion of the trial court, and the granting or denial of such a motion will not be disturbed on appeal except for manifest abuse of discretion. Coffey v. United States, 10 Cir., 333 F.2d 945; Walter v. Warner, 10 Cir., 298 F.2d 481. Before a new trial may be granted on the basis of newly discovered evidence, there must be a showing that the alleged newly discovered evidence was discovered since the trial; facts from which the court may infer reasonable diligence on the part of the moving party; that the evidence is not merely cumulative or impeaching; that the evidence is material; and the evidence is of such a character that on a new trial it will probably produce a different result. Kansas City Southern Railway Company v. Cagle, 10 Cir., 229 F.2d 12, cert. denied, 351 U.S. 908; Crow v. Dumke, 10 Cir., 142 F.2d 635. McCullough contends that these rules are not applicable to patent litigation because of the public nature of the subject matter and

in support of such contention cites and relies upon Mercoid Corp. v. Mid-Continent Investment Co., 320 U.S. 661, 665. We do not agree. Jamco, Incorporated, v. Carlson, 10 Cir., 274 F.2d 338, 342.

The record not only fails to show facts from which an inference of diligence might be made and that the alleged newly discovered evidence would produce a different result, but it also fails to show that such evidence was, in fact, newly discovered or discovered since the trial. Furthermore, the evidence relied upon would appear to be merely cumulative. Under all of these circumstances, it cannot be concluded that the lower court manifestly abused its discretion in denying the motion.

**Conclusion.**

We have carefully considered other contentions made by the parties and have concluded that they are without merit. The judgment below is therefore AFFIRMED and the case is REMANDED for further proceedings in accordance with that judgment.

**Judgment.**

**Forty-Sixth Day, January Term, Wednesday, March 17th, 1965.**

**Before Honorable Alfred P. Murrah, Chief Judge, and Honorable Jean S. Breitenstein and Honorable Delmas C. Hill, Circuit Judges.**

**These causes came on to be heard on the transcript of the record from the United States District Court for the Northern District of Oklahoma and were argued by counsel.**

**On consideration whereof, it is ordered and adjudged by this court that the judgment of the said district court in these causes be and the same is hereby affirmed, and that these causes be and the same are hereby remanded to the said district court for further proceedings in accordance with that judgment.**

**Order Denying Appellants' Petition for Rehearing.**

Seventeenth Day, March Term, Tuesday, April 20th, 1965.

Before Honorable Alfred P. Murrah, Chief Judge, and Honorable Jean S. Breitenstein and Honorable Delmas C. Hill, Circuit Judges.

These causes came on to be heard on the petition of appellants for a rehearing herein and were submitted to the court.

On consideration whereof, it is ordered by the court that the said petition be and the same is hereby denied.

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By order of April 29, 1965, the mandate of the United States Court of Appeals was stayed for a period of ninety days from April 20, 1965, under provision of paragraph 3 of rule 28 of said court.

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## Opinion of the United States District Court for the Northern District of Oklahoma.

Civil Action No. 4271

Well Surveys, Incorporated, Plaintiff, v. McCullough Tool Company, Defendant.

Civil Action No. 3956

McCullough Tool Company, Robert W. Pringle, Kenneth I. Roulston, George M. Brownell, and Philip W. Martin, Plaintiffs, vs. Well Surveys, Incorporated, and Dresser Industries, Inc. (substituted for Lane-Wells Company), Defendants.

United States District Court for the Northern District of Oklahoma.

March 16, 1961

As Amended Aug. 25 and Oct. 18, 1961.

R. Whelton Whann and Robert M. McManigal, James E. Harrington, Los Angeles, Cal., Williams, Boesche & McDermott, Tulsa, Okla., Hill, Sherman, Meroni, Gross & Simpson and Carlton Hill, Chicago, Ill., for McCullough Tool Co.

Fulwider, Mattingly & Huntley, Los Angeles, Cal., McAfee, Hanning, Newcommer & Hazlett and Rufus Day, Jr., Cleveland, Ohio, Farmer, Woosley, Flippo & Bailey, Robert K. Schumacher, Tulsa, Okla., for Wells Surveys, Inc.

Savage, Chief Judge.

The above-entitled consolidated causes having come on regularly for trial and evidence both oral and documentary having been introduced, the Court, having duly considered said evidence and the arguments of counsel and being fully advised in the premises, now makes the following findings of fact and conclusions of law herein.

## Findings of Fact.

*General Findings*

1.

Civil Action No. 4271 was originally filed on June 15, 1956 in the United States District Court for the Southern District of Texas, Houston Division, under Civil Action No. 9817 of said Court, by Well Surveys, Incorporated, a Delaware Corporation, having its principal place of business in Tulsa, Oklahoma. This action arose under the patent laws of the United States and this Court has jurisdiction thereof under 28 U.S.C. § 1338(a). The Complaint alleged infringement by McCullough Tool Company, which is a Nevada Corporation having places of business in Los Angeles, California, Houston, Texas, and Tulsa, Oklahoma, of United States Patents Re. 23,226 and 2,308,361. Said Action was thereafter, transferred by order of the Honorable Judge Joe Ingraham of the District Court for the Southern District of Texas, Houston Division, by an Order dated July 30, 1957 to this Court, wherein the Action was duly filed on August 2, 1957 under Civil Action No. 4271.

2.

The Complaint in Civil Action No. 4271 was amended several times by adding and deleting patents owned by Well Surveys, Inc. that were charged to be infringed by McCullough Tool Company. The Fifth and last Amended Complaint charged infringement of nine (9) patents owned by Well Surveys, Inc. Subsequently and before trial, by stipulation of the parties, the Complaint was dismissed with prejudice as to Patents No. 2,285,840 and No. 2,303,688, and without prejudice but with waiver of damages prior to the filing of the stipulation

with the Court as to Patents No. 2,636,994 and No. 2,689,918.

3.

At the time of trial, Well Surveys, Inc., hereinafter sometimes referred to as WSI, charged McCullough Tool Company, hereinafter sometimes referred to as McCullough, with infringement of the following patents: Bender Reissue No. Re. 23,226; Fearon No. 2,308,-361; Fearon No. 2,390,433; Swift No. 2,554,844; Fearon Reissue No. Re. 24,226.

4.

Civil Action No. 3956 was filed in this Court on June 15, 1956 by McCullough Tool Company under 28 U.S.C. § 2201 and 28 U.S.C. § 1338(a) alleging misuse by WSI of all of its patents as listed in Exhibit A attached to the Complaint, and asking for a declaratory judgment of unenforceability, invalidity and non-infringement of said patents. By subsequent amendment to the Complaint, a charge of infringement of Patent No. 2,686,266, issued to the Plaintiffs Pringle, Roulston and Brownell, all of whom are citizens of the Dominion of Canada, and Patent No. 2,686,268, issued to Plaintiffs Martin and Pringle, above-named, was added and Lane-Wells Company, then a California corporation and now a division of Dresser Industries, Inc., was added as a party defendant to said charge of infringement. By further amendment, the said Robert W. Pringle, a resident of Edinburgh, Scotland, Kenneth I. Roulston, a resident of Winnipeg, Canada, George M. Brownell, a resident of Winnipeg, Canada, and Philip W. Martin, a citizen of the United States and a resident of Whittier, California, the above-named patentees, were added as parties Plaintiff. Dresser In-

dustries, Inc., a Delaware corporation was subsequently substituted as a party Defendant in the place and stead of Lane-Wells Company.

5.

By pre-trial order dated March 31, 1960, said Civil Action Nos. 4271 and 3956 were consolidated for all purposes, it being further stipulated and ordered that WSI made no charge of infringement of any of the patents listed in the Complaint in Action No. 3956 other than the five (5) patents in suit in Civil Action No. 4271 and that the question of validity of all WSI patents not in suit in Civil Action No. 4271 was moot. It was further stipulated and ordered in said pre-trial order that there was no issue before the Court with respect to any of the claims of any of the patents in suit in either action other than the claims specified by the respective parties in answers to interrogatories then on file, which claims in issue will be enumerated hereinafter in findings dealing with specific patents.

6.

Well Surveys, Inc., was incorporated on May 4, 1939 to carry forward the research and development work concerning radioactivity well logging then being done by Engineering Laboratories, Inc. looking toward the development of commercial methods of radioactivity well logging and apparatus therefor. Such methods and apparatus were subsequently developed and offered commercially to the oil industry by Well Surveys, which continued to engage in research and development relating to methods and apparatus for radioactivity well logging.

7.

Prior to the introduction of radioactivity well logging, there had long existed a well recognized need for logging through casing. Radioactivity well logging was the first method to successfully log through casing, and it is still the only method available to the oil industry for logging through casing. Radioactivity well logging can also be, and often is, used to log open holes, i.e., wells before they are cased. WSI and Lane-Wells were the first to offer commercial natural gamma ray logging and neutron logging services to the oil industry. In 1940, the first year of the commercial radioactivity well logging industry, the gross sales amounted to $32,165. In 1948 the gross sales by Lane-Wells for radioactivity well logging amounted to more than $3,000,000.

8.

While the term radioactivity well logging was originally applied to methods of detecting and measuring radiation naturally emitted by the earth's formations surrounding a well, it soon became a generic term and now is used to designnate any well logging in which radiations coming from the formations, whether they be natural or artificially produced, are detected and measured. At the present time, the more commonly used kinds of radioactivity well logging are natural gamma ray logging, neutron logging, and gamma ray-gamma ray logging. Various special types of radioactivity well logging have also been proposed and some have been used commercially as will be mentioned in later findings. Radioactivity well logging is sometimes called radioactivity well surveying or radiation well logging.

9.

Natural gamma ray logging is the process whereby gamma rays naturally emitted by formations traversed by a bore hole are measured. Natural gamma ray logging is performed by the parties by lowering into the bore hole a tool containing a radiation detector which, as a result of the impingement thereon of gamma rays naturally emitted by the formations, produces output signals indicative of said gamma rays, transmitting said signals to the earth's surface, and utilizing said signals to produce a record of gamma rays detected in correlation with the depth of said detector in the bore hole. The record thus obtained by the parties in the form of a curve indicating relative number per unit of time of natural gamma rays at different depths, is a conventional natural gamma ray log, sometimes simply called a gamma ray log.

10.

Neutron logging is the process whereby formations traversed by a bore hole are bombarded with neutrons and radiations emitted by said formations as a result of said bombardment are measured. Neutron logging is performed by the parties by lowering into the bore hole a tool containing a neutron emitting source and a detector which produces output signals indicative of the radiation impinging thereon as a result of neutron bombardment of the formations, transmitting said output signals to the surface of the earth, and utilizing said signals to produce a record of radiation detected in correlation with the depth of said detector in the bore hole. The record thus obtained by the parties in the form of a curve indicating relative number per

unit of time of radiations emitted at different depths by the subsurface formations as a result of the neutron bombardment is a conventional neutron log. As a result of neutron bombardment a formation may emit either neutrons or gamma rays or both. When the gamma rays are detected, the resulting neutron log is termed a neutron-gamma ray log. When the neutrons are detected, the resulting neutron log is termed a neutron-neutron log. When fast neutrons are detected, the resulting log is termed a neutron-fast neutron log.

11.

Gamma ray-gamma ray logging is the process whereby gamma rays emitted by the subsurface formations as a result of gamma ray bombardment thereof are measured. Gamma ray-gamma ray logging is performed by the parties by lowering into the bore hole a tool containing a gamma ray emitting source and a gamma ray detector which produces output signals indicative of the gamma rays impinging thereon as a result of said bombardment, transmitting said output signals to the earth's surface, and utilizing said signals to produce a record of gamma rays detected in correlation with the depth of said detector in the bore hole. The record thus obtained by the parties in the form of a curve indicating relative number per unit of time of gamma rays emitted at different depths by the subsurface formations as a result of the gamma ray bombardment is a conventional gamma ray-gamma ray log, sometimes called a gamma-gamma log, or a scattered gamma ray log. Gamma ray-gamma ray logging may be used to indicate formation density and when so used is usually called density logging.

12.

Spectral logging involves discerning the energies or wave lengths of gamma rays given off by various elements within the formations surrounding the well bore and presenting this information at the surface of the earth in the form of gamma ray spectra. It thus permits discrimination between the various elements. Spectral logging is the process of detecting and measuring the energy of the gamma radiation in addition to the intensity thereof, thereby permitting a distinction to be made in the gamma ray emissions of radioactive substances of different characteristics and in the nature of the neutron capture gamma rays emitted by the nuclei of different materials; it is thus distinguished from conventional gamma ray, neutron-gamma ray and gamma ray-gamma ray logging which involve merely the measurement of the total intensity of all of the gamma rays impinging upon the detector with energies above some threshold level.

13.

Lane-Wells Company was the first service company licensed by Well Surveys, Inc. and in 1940 obtained equipment from Well Surveys, Inc. and started offering natural gamma ray logging as a commercial service to the oil industry. By 1942, Well Surveys had developed neutron logging to a commercial state and Lane-Wells started offering this additional service to its customers. Lane-Wells Company, as a separate corporation and more recently as a division of Dresser Industries, has continued to offer natural gamma ray and neutron logging services to the trade.

14.

McCullough Tool Company first offered natural gamma ray logging service to the industry in 1950 and soon thereafter offered neutron logging service and since that time has continued to supply both types of logging to its customers. In performing these services McCullough has always used scintillation counters. The methods and equipment used by McCullough in performing gamma ray logging and neutron logging for hire are illustrated in WSI Patent Ex. 10 which is a booklet of drawings, each lefthand page representing the drawings of one of the WSI patents in suit and each righthand page being an illustration of the corresponding McCullough equipment and method. Said drawings contained in WSI Ex. 10 were admitted to be substantially accurate representations of the equipment they portray and to contain no error or incompleteness in any way affecting this case.

*Findings Directed Primarily to Bender Patent No. Re. 23,226*

15.

The application for the original Bender patent was filed by John C. Bender on February 18, 1936 and was issued to Lane-Wells Company on October 18, 1938 as Patent No. 2,133,776. Application for reissue was filed on October 4, 1940 and said patent was reissued to Lane-Wells Company on May 9, 1950 as Re 23,226. Said reissue patent was subsequently assigned by Lane-Wells Company to Well Surveys together with all rights to recover for infringement thereof, and is sometimes herein referred to as the Bender patent. The Bender invention pioneered the wholly new art of radio-

activity well logging. The Bender patent was the first to disclose and teach natural gamma ray logging and is a primary and pioneer patent. The method of practicing natural gamma ray logging as fully disclosed by said patent comprises traversing the various strata of a well with a radiation detector to produce electrical signals indicative of the natural radioactivities of the strata, transmitting said signals to the surface and there recording them in correlation with depth to produce a log giving information concerning the lithology of said formations. No such log had ever been made prior to Bender's invention. This was a new and useful result never before obtained. The specific radiation detector disclosed by Bender was a Geiger counter which produces an electrical impulse for each gamma ray detected. Well Surveys first performed radioactivity well logging commercially in the spring of 1940 utilizing the invention of the Bender patent.

16.

Claims 14, 15, 16, 19 and 20 of the Bender patent are in issue in this case. Each of said claims in issue is limited to a method or apparatus for measuring *in situ* radiations from formations traversed by a bore hole, to produce a radioactivity log of said subsurface formations as distinguished from the taking of formation samples to the surface and there measuring their radioactivity, or the mere measuring of the radioactivity of surface rocks.

17.

Earth formations exhibit to a greater or lesser degree some natural gamma ray activity. Shales and clays contain relatively large amounts of materials which naturally emit gamma rays; whereas sandstones and

limestones contain relatively small amounts of natural gamma ray emitting materials.

18.

Page 1A of WSI Exhibit No. 10 and WSI Exhibit No. 11 (A, C and D) illustrate the natural gamma ray logging apparatus utilized by McCullough since 1950. Reference to said exhibits and the uncontroverted testimony of witnesses clearly shows that the method of natural gamma ray logging used by McCullough comprises lowering a scintillation counter type of radiation detector into the bore hole, exposing said detector to the gamma rays from the subsurface formations thereby generating pulse type electrical signals at a rate indicative of the intensity of said gamma rays from the respective formations, and continuously transmitting said signals over the logging cable to the surface equipment where they are counted by a rate meter, the output of which is continuously recorded during logging operations in correlation with depth of subsurface instrument, whereby the formations may be differentiated by intercomparison of their respective gamma ray intensities recorded for the various levels. The rate of occurrence of the electrical pulses generated by the McCullough apparatus is a quantitative measure of the natural gamma ray activity of the formation adjacent the counter. The steel housing of the McCullough subsurface instrument is relatively transparent to the natural gamma rays emanating from the formations and also is mechanically resistant, thereby to protect the scintillation counter. Said method practiced by McCullough includes each and every step recited in the Bender method Claims 14, 15, 19 and 20 and the McCullough apparatus used in said method includes each and every

element of Bender apparatus Claim 16. Each of the Bender claims in issue reads directly on the McCullough method and apparatus. Said method and apparatus of McCullough accomplish the same result in substantially the same way as the Bender method and apparatus and are the full equivalent thereof. Each of the Bender claims 14, 15, 16, 19 and 20 has been infringed by McCullough each and every time it performed a natural gamma ray logging operation prior to the expiration of the Bender patent.

19.

The scintillation counter utilized in the McCullough natural gamma ray logging apparatus is a radiation responsive generator of impulses, is a member sensitive to radioactivity and is adapted to translate said radiations into electrical impulses with the number of said impulses corresponding to the number of said radiations to quantitatively measure the radioactive properties of the formations encountered at different depths inside the drill hole. Geiger counters, scintillations counters and ionization chambers are all radiation detectors sensitive to gamma rays, they all accomplish the same result in substantially the same manner, they all detect radiation by producing electrical signals indicative thereof, and it is a matter of choice as to which type of radiation detector is used in performing natural gamma ray logging operations. The resulting logs are substantially the same regardless of the type of detector used. The scintillation counter used by McCullough in its natural gamma ray logging operations, performs no different function from that performed by the Geiger counter of Bender, the modes of operation are the same and they are full equivalents

in said logging operations. None of the Bender claims in issue is limited to a Geiger counter or any specific type of radiation detector, nor is any such limitation demanded by the prior art or the proceedings in the Patent Office.

20.

Although a scintillation counter may be used to determine the energy spectrum of natural gamma rays, as with the McCullough Scintillation Spectrometer, McCullough Tool Company in its conventional natural gamma ray logging operations does not determine the energy spectrum of the natural gamma rays measured. The McCullough natural gamma ray log is a measure of the number per unit of time of gamma radiation that results from the natural disintegration of radioactive elements.

21.

No prior art relied upon by McCullough discloses or teaches the invention of any of the Bender claims in issue or negates the fact that John C. Bender was the first and original inventor of the invention described by said claims. Specifically, the Ambronn publication considered by the Patent Office and relied upon very heavily by McCullough at the trial, neither discloses nor teaches the use of a Geiger counter or any other type of radiation detector which produces an electrical signal; Ambronn discloses only the use of an electroscope, which provides an optical indication and is not suitable for use in radioactivity well logging. The invention covered by the Bender claims in issue comprised a new combination of elements and a new mode of operation that was not obvious to those skilled in the art at the time Bender filed his application.

22.

The application for reissue of the Bender patent was filed in the Patent Office less than two years after the issuance of the original Bender patent, and hence within the period during which application might then be made for a reissue patent enalrging the scope of the claims of the original patent. The specification of the Bender reissue is substantially identical with that of Bender's original patent, both of which contain a full and complete disclosure of natural gamma ray well logging and apparatus for performing the same.

23.

The subject matter of the Bender reissue claims in issue was explicity disclosed and taught but was not claimed in his original patent No. 2,133,776. The oath of Bender which accompanied the reissue application specifically stated that the reason for the reissue was to obtain claims directed to subject matter disclosed but not claimed in the original patent. The invention covered by said reissue claims in issue is the same invention as disclosed by the original patent as required by the Statute.

24.

The defenses against the Bender reissue patent of inoperability, lack of inadvertence, accident or mistake in filing the reissue, indefiniteness and unreasonable delay in filing the application for reissue are not supported by any probative evidence in this case.

25.

There is no evidence that Bender ever authorized or approved the cancellation of claims 7 and 8 from his original application or that said cancellation was agreed upon at any conference at which Bender or his then

attorney was present or that by said cancellation said attorney intended to abandon subject matter subsequently covered by the Bender claims in issue. In his depositions, John C. Bender made no statement that can properly be interpreted as an admission that he did not invent natural gamma ray logging, or that claims 7 and 8 of his original application were cancelled with his approval, or that said cancellation was intended as an abandonment of his natural gamma ray logging invention. Mr. Bender has never disclaimed any of the subject matter of any of the claims of his reissue patent, but on the contrary by his oaths in his original application and in his application for reissue, he specifically swore that he believed himself to be the original, first and sole inventor of natural radioactivity logging as claimed.

26.

The invention of the Bender patent is not the mere observation of a natural process or merely the use of an element found in nature. The Bender patent is not an attempt to claim or monopolice a natural phenomenon, nor is the only difference between the disclosure of the Bender patent and the prior art a natural phenomenon. The Bender patent teaches the lowering of a radiation detector and other apparatus into a well for producing and transmitting signals to the surface which are recorded in correlation with depth to produce a log of the lithology of the subsurface formations. Claims 14, 15, 19 and 20 describe a complete process of gamma ray logging, and claim 16 describes a complete apparatus for practicing that process.

27.

The methods and apparatus for natural gamma ray logging defined by the claims in issue of the Bender

patent are of great utility and value; they were not obvious, but were the result of invention by the patentee; and they are not anticipated by, but displayed substantial inventive advance over, the prior art in evidence. In obtaining said patent, Bender complied with all the laws and rules then in force; the patent was duly and legally issued; and McCullough Tool Company has infringed the claims thereof in issue.

28.

The only source of primary radiation specifically disclosed by Bender in his application as originally filed was an X-ray tube. This taught that the primary radiations were X-rays. No one in the art of radioactivity well logging has commercially utilized an X-ray source of primary radiation.

29.

It was known prior to Bender's invention to utilize a Geiger-Muller counter and an amplifier to determine the radioactivity of substances in surface operations. In such surface operations said elements function in the same manner as in radioactivity well logging.

30.

Prior to the date of the original Bender Patent No. 2,133,776, scintillation counters were known to be the equivalent of Geiger counters as radiation detectors for the detection of gamma rays by converting incident gamma rays into corresponding electrical signals, which can then be measured as an indication of gamma ray intensity. This is shown by Johnston Patent No. 893,244 (WSI Ex. 18) and the work of Von Meyeren (McCullough Ex. 14) and RCA (WSI Ex. 19, T-2).

31.

Prior to the time Bender filed the application for his original Patent No. 2,133,776 and prior to Bender's making the application for reissue Patent No. 23,226, in suit, Bender had studied and was familiar with the publication "Elements of Geophysics" by Ambronn and translated by Cobb. (McCullough patent Exhibit 40.)

*Findings Directed Primarily to*
*Fearon Patent No. 2,308,361*

32.

The application for Patent No. 2,308,361 hereinafter sometimes referred to as the Fearon '361 patent was filed by Robert Earl Fearon on November 10, 1938 and was issued to Well Surveys, Inc. on January 12, 1943. The claims of this patent are specifically directed to and cover neutron logging as herein defined. Claims 2 and 3 are in issue.

33.

While the Bender invention of natural gamma ray logging produced valuable information as to the types of formations in the bore hole, there still remained a pressing need in the oil industry for more information concerning said formations. In particular, there was an urgent need for a log which would complement the Bender natural gamma ray log and give an indication as to the porosity and possible oil content of the inaccessible subsurface formations. Fearon was the first to disclose and teach neutron logging which was pioneered by WSI and Lane-Wells and was introduced as a commercial service by 1942.

34.

Natural gamma ray logging is a passive type of logging in that it measures and utilizes something that

exists because of its own natural action. Neutron logging, on the other hand, is an active type of logging in that it measures and utilizes the results of irradiating the formations with neutrons. The natural gamma ray log shows the presence of formations of a lithologic type which can contain oil. The neutron log tells whether or not a particular formation which could contain oil contains any fluid, although it does not tell whether that fluid be water or oil.

35.

While neutron logs and gamma ray logs are both obtained by a form of radioactivity well logging, they are quite dissimilar. The neutron log is a new and useful result never before obtained prior to the invention thereof by Robert E. Fearon as disclosed and claimed in the Fearon '361 patent.

36.

Each of the Fearon '361 claims in issue is limited to a method or apparatus for bombarding subsurface formations with neutrons and measuring *in situ* radiations emitted by the formations as a result of said bombardment, as distinguished from measuring gamma rays naturally emitted by said formations. This includes the measurement of whatever radiations return to the detector as a result of the neutron bombardment of the formations. Said claims in issue recite a new combination of elements and a new mode of operation.

37.

The McCullough neutron logging apparatus as shown on page 2A of WSI Exhibit No. 10 and WSI Exhibit No. 11 (A, C and D) contains each and every element of apparatus claim 3 of Fearon '361. Reference to said exhibits and the evidence shows that the method

of neutron logging used by McCullough comprises bombarding subsurface formations with neutrons and measuring *in situ* radiations emitted by the formations as a result of said bombardment and thus includes each and every step recited in method claim 2. Each of the Fearon '361 claims in issue reads directly on the McCullough method and apparatus. Said method and apparatus of McCullough accomplish the same result in substantially the same way as the Fearon method and apparatus and are the full equivalent thereof. Each of the Fearon claims 2 and 3 has been infringed by McCullough each and every time it performed a neutron logging operation prior to the expiration of the Fearon '361 patent.

38.

The scintillation counter utilized in the McCullough neutron logging apparatus is a detector of radiations and is used to measure radiations from the formations as a result of neutron bombardment of the formations. Geiger counters, scintillation counters and ionization chambers are all detectors of radiation and each may be made sensitive to either gamma rays or neutrons. It is a matter of choice as to which type of detector is used in performing neutron logging of a particular species, i. e., neutron-gamma ray logging or neutron-neutron logging. The resulting logs are substantially the same regardless of whether the detector is a Geiger counter, scintillation counter or ionization chamber and are produced in substantially the same manner. The scintillation counter used by McCullough in its neutron logging operations performs no different function from that performed by the ionization chamber of Fearon, the modes of operation are the same and they are full equivalents in said logging operations. None of the

Fearon '361 claims in issue is limited to an ionization chamber or to any specific type of radiation detector, nor is any such limitation demanded by the prior art or by the proceedings in the Patent Office.

39.

Although a scintillation counter may be used to determine the energy spectrum of radiations resulting from neutron bombardment, as with the McCullough Scintillation Spectrometer, McCullough Tool Company in its conventional neutron logging operations does not determine the energy spectrum of the radiations measured. The McCullough neutron log is a measure of the number per unit of time of returning fast neutrons.

40.

Prior to the invention of the Fearon '361 patent, it had never been known or suggested to bombard the formations of a bore hole with neutrons and measure the resulting radiation. The Fearon '361 patent fully discloses this process, including the detection of either neutrons or gamma rays, or both, impinging on the subsurface tool. The invention disclosed and claimed in the Fearon '361 patent produced a new and beneficial result never before attained. Neutron logging as disclosed and claimed in the Fearon patent '361 was the first practical and the first commercial use of a neutron source.

41.

The substitution by Fearon of a neutron emitting source for the gamma ray emitting source or the X-ray emitting source disclosed in the Bender patent was not obvious to those skilled in the art and amounts to invention.

42.

The invention of the Fearon '361 patent is not the mere observation of a natural process or merely the use of an element found in nature. The Fearon '361 patent is not an attempt to claim or to monopolize a natural phenomenon, nor is the only difference between the disclosure of the said Fearon patent and that of the Bender patent a natural phenomenon. The Fearon '361 patent teaches the lowering of a source of neutrons into a well and apparatus for utilizing the neutrons so produced to bombard the formation surrounding the well and for measuring radiation passing from the formation to the subsurface tool as a result thereof. Claim 2 of Fearon '361 describes a complete process of neutron logging, and Claim 3 describes a complete apparatus for practicing that process. Neither was obvious to those skilled in the art at the time Fearon filed the application for his '361 patent.

43.

The methods and apparatus for neutron logging defined by the claims in issue of the Fearon '361 patent are of great utility and value; they were not obvious, but were the result of invention by the patentee; and they are not anticipated by, but displayed substantial inventive advance over, the prior art in evidence. In obtaining said patent, Fearon complied with all the laws and rules then in force; the patent was duly and legally issued; and McCullough Tool Company has infringed the claims thereof in issue.

44.

The invention of the Fearon patent was made subsequent to the invention of Bender as set forth in the Reissue Patent No. 23,226. Neutron sources *per se* were known prior to the invention of the Fearon '361 patent.

*Findings Directed Primarily to*
*Fearon Patent No. 2,390,433*

45.

The application for Patent No. 2,390,433 was filed by Robert Earl Fearon on March 25, 1940 and issued to Well Surveys, Inc. on December 4, 1945. This patent is hereinafter sometimes referred to as the Fearon '433 patent. Claims 1, 4, 5, 10 and 13 are in issue.

46.

The Fearon '433 patent discloses and teaches methods and apparatus for simultaneously but separately measuring with a single logging tool both gamma rays and neutrons impinging upon the tool from the formations surrounding the well bore. The claims in issue cover methods and apparatus for the simultaneous recording, on a single chart in correlation with depth, of both a natural gamma ray log as disclosed and claimed in the Bender Reissue Patent No. 23,226 and a neutron-neutron log as disclosed and claimed in Fearon Patent No. 2,308,361. This system of logging is referred to in the trade as dual logging or simultaneous logging.

47.

When gamma ray and neutron logs are run separately, errors in depth measurements make inaccurate correlation of the logs with each other. Accuracy of such correlation is achieved by making both logs simultaneously with the respective radiation detectors spaced a fixed distance apart in the same logging tool, even though there may be errors in the depth measurements. This result was not known before the invention disclosed and claimed in Fearon '433.

48.

The McCullough dual logging apparatus as illustrated on page 3A of WSI Exhibit No. 10 and WSI Exhibit No. 11 (A, C and D) comprises a single tool containing a neutron source, a gamma ray detector and a neuton detector all in spaced relation, and circuitry for sending the respective signals up the cable to produce separate but correlated gamma ray and neutron logs on the same chart. The McCullough detectors are not differentially shielded. Although differing in the particular detectors used, the Fearon and McCullough tools accomplish the same beneficial result.

49.

If valid, apparatus claims 4 and 5 of the Fearon '433 patent are literally infringed by the McCullough apparatus since it contains each and every element of these claims arranged in the same manner to do the same work and achieve the same result. Claims 4 and 5 are not limited to any particular spacing between the detectors nor to any particular circuitry. If valid, method claims 1, 10 and 13 are also infringed by McCullough, since in the use of its apparatus shown on page 3A of WSI Exhibit No. 10 and in WSI Exhibit No. 11 (A, C and D), the McCullough method includes each and every step of said claims. By having its two radiation detectors spaced only about six feet apart in the same subsurface tool, the McCullough system separately measures the natural gamma rays and neutrons simultaneously at substantially the same level in the well.

50.

The Fearon '433 patent was the first to disclose and claim methods and apparatus for simultaneously and separately performing gamma ray and neutron log-

ging with the same tool. No prior patents or publications have been urged by McCullough against this patent other than those which were considered by the Patent Offic. None of said patents or publications anticipates any of the claims in suit of the Fearon '433 patent.

51.

In addition to the broad showing of simultaneous logging, the Fearon '433 patent discloses particular radiation detectors (differentially shielded ionization chambers) and means for electrically combining the outputs of the separate radiation detectors to effect more accurate measurements of gamma rays and neutrons. These elements are recited in some of the claims of the Fearon '433 patent not here in issue, but none of the claims in issue is so limited. There is nothing in the file wrapper of the '433 patent to indicate that either Fearon or the Examiner considered any particular type of radiation detector, or combining means, or the mathematical equations disclosed in the specification to be an essential feature of the invention. Allowance of the claims in issue was not based on any such limitations, and none of said claims is so limited.

52.

While the methods and apparatus defined by the claims in issue of the Fearon '433 patent have been a commercial success in producing a different and more desirable result in making a neutron log and a gamma ray log simultaneously, said logs being correlated with depth and with each other and therefore reducing the probability of error, nevertheless this does not represent invention in the light of the prior art, for such a combination of two separate radiation detectors in the

same subsurface tool was obvious to those skilled in the art at the time of the Fearon '433 application. No invention was or could be involved in merely combining in axially spaced relation in one tool a natural gamma ray logging radiation detector as taught by the Bender Patent No. Re. 23,226 and a neutron logging radiation detector as taught by Fearon's earlier Patent No. 2,308,361 and transmitting the signals from said detectors to the surface over the same cable to be simultaneously recorded on a single chart. Fearon being then an employee of WSI was obviously skilled in the art and fully conversant with both gamma ray and neutron logging equipment and with the obvious necessity of preventing interference of one measurement with the other.

*Findings Directed Primarily to*
*Swift Patent No. 2,554,844*

53.

The application for Patent No. 2,554,844 hereinafter referred to as the Swift Patent, was filed by Lawrence M. Swift on March 22, 1946 and issued to Well Surveys, Inc. on May 29, 1951. Claims 1 to 6 inclusive are in issue.

54.

Since radioactivity well logs are measurements of radiation as a function of depth, the depth measurement is just as important as the radiation measurement. If any section of the radioactivity well log is not a faithful record of the radiation measurement with respect to the depth thereof, at least that section of the log is useless.

55.

Almost from the start of the radioactivity well logging industry and certainly as soon as deep holes were

being logged, the industry was plagued with the problem of accuracy of depth measurements due to unpredictable cable stretch, intermittent binding of the logging instrument in the well bore and other causes. This problem was first solved for cased wells by the invention of the Swift patent which met with immediate and substantial commercial success.

56.

The Swift patent discloses and claims apparatus for identifying and locating formations penetrated by a cased well bore by measuring a physical property of said formations with respect to permanent markers located along the well bore. Means are provided for obtaining indications (signals) of the passage of an exploring tool past the casing collars simultaneously with obtaining signals upon measurement of radiation from the formations, combining said signals and transmitting them together to the surface, and simultaneously recording said signals to provide a log in which the radiation measurements are accurately correlated with depth by the casing collar record. The casing collar indications or signals are primary depth measurements made at the time and place of the radiation measurements, said measurements being tied together at the place of measurement by combination of the separate signals. The use of these primary depth measurements produces a log which is essentially different from a radiation log wherein depths are determined by secondary measurements made at the surface, as by a measuring wheel, far from the place in the well where the radiation measurements are made.

57.

The Swift patent is concerned with utilizing the casing collars which are permanently fixed in a cased

well as bench marks, making radiation measurements relative to the positions of these bench marks, and recording the radiation measurements and the indications of the bench marks simultaneously to provide a radioactivity well log in which the radiation measurements are accurately recorded as a function of depth as indicated by the casing collar indications. This is a new combination of elements which produces a new and useful result. The elements cooperate to produce a unitary result and are not a mere aggregation as urged by McCullough.

58.

Two embodiments of the Swift invention are described in the specification. One of these embodiments uses a one pen recorder as illustrated in the patent drawing and on page 4 of WSI Exhibit No. 10. This embodiment was never used commercially by WSI or Lane-Wells. The second embodiment of the Swift invention uses a two pen recorder, as illustrated on page 5 of WSI Exhibit No. 10. This second embodiment was used by Well Surveys and Lane-Wells for many years. None of the claims of the Swift patent is restricted either to a one pen recorder or to a two pen recorder; the term "a recorder", as used in the claims, includes both a one pen recorder and a two pen recorder.

59.

The Swift patent discloses a combination of a casing collar locator with a radiation detection system in which the casing collar signal and the radiation signal are electrically associated so that when the casing collar signal is imposed upon the radiation detection circuit, the radiation signal is interrupted. This interruption system is an illustration of but one of several available

means for transmitting the casing collar signal and the radiation signal over the same cable, and none of the claims of the Swift patent is limited to this system. Original claim 7 of the application as filed was so limited, but was cancelled during prosecution of the application, thereby indicating that this particular means was not deemed critical either by Swift or by the Patent Office. There is nothing in the file wrapper that requires any of the claims to be so limited.

60.

In the Swift invention, the casing collars are located by magnetic means responsive to changes in the magnetic flux path caused by the casing collars to produce the casing collar indication or signal. Radiation from the formations is detected by a radiation detector to produce the radiation signal. A common transmission system is used for transmitting the casing collar signals and the radiation signals to the surface recording equipment. None of the claims of the Swift patent is limited to any particular type of magnetic collar locating means or radiation detector, nor is there any indication in the Swift file wrapper that such specific means or detector was a necessary part of the invention.

61.

The McCullough Catalog, pages 3280 and 3297, WSI Exhibit No. 12-I, the McCullough drawings, WSI Exhibit 11(A, C and D), as well as a comparison of pages 4 and 4A and pages 5 and 5A of WSI Exhibit No. 10, show that both structurally and functionally the McCullough logging apparatus with casing collar locator is substantially the same as that shown in the Swift patent. The McCullough apparatus consists of a subsurface instrument containing a scintillation counter

which independently produces signals proportionally related to the radiation from the formations, a magnetic casing collar locator which independently produces indications or signals indicative of the proximity of casing collars, a subsurface amplifier into which both of said signals are fed, the casing collar signal being applied to the last stage of said amplifier thereby superimposing the collar signal on the radiation signal and thereby combining the signals, the combined signals being introduced from the amplifier into the transmission system and transmitted over the same conductor to the surface where they are recorded by the same recorder using separate pens. Each and every element of claims 1 through 6 of the Swift patent is employed in the McCullough apparatus in the same way as disclosed by Swift to achieve the same result. Each of the Swift claims in issue reads directly upon the McCullough apparatus and has been infringed by McCullough each and every time it performed radioactivity well logging involving the location of casing collars after the Swift patent issued. Casing collars are automatically recorded with any McCullough radiation log run inside casing.

62.

The prior art, and particularly the Ennis patent does not anticipate Swift. The new combination of elements forming the Swift invention and their new mode of operation were not obvious to those skilled in the art at the time the Swift application was filed.

63.

Magnetic casing collar locators and radioactivity well logging systems were separately known long prior to the invention of the Swift patent. It was also old long

prior to the invention of the Swift patent to transmit muliple signals over a common conductor.

64.

The well logging apparatus with casing collar locator defined by the claims in issue of the Swift patent is of great utility and value; it was not obvious, but was the result of invention by the patentee; and it is not anticipated by, but displayed substantial inventive advance over, the prior art in evidence. In obtaining said patent, Swift complied with all the laws and rules then in force; the patent was duly and legally issued; and McCullough Tool Company has infringed the claims thereof in issue.

65.

In the McCullough system utilizing a casing collar locator and a radiation detecting instrument, the casing collar signal does not cause an interruption of the radiation signal.

*Findings Directed Primarily to*
*Fearon Patent No. Re. 24,226*

66.

The Fearon reissue patent No. 24,226 is a mere paper patent having found no application in use at any time.

67.

No one ever commercially operated the apparatus as shown and described in the Fearon reissue patent No. 24,226.

68.

Well Surveys, Incorporated, and the patentee Fearon made no use of the apparatus of Fearon reissue patent No. 24,226.

69.

Neither form of apparatus shown in the Fearon reissue patent No. 24,226, i.e., that disclosed in Figure 1 and Figure 8, has ever been operated prior to the institution of this action.

70.

The claims in suit are claims 5, 6, 9, 10 and 11.

71.

Claims 5 and 6 which are original claims of patent No. 2,351,028 must be construed to cover exactly what is shown in the reissue patent No. 24,226, and as thus construed have not been infringed by the McCullough Tool Company.

72.

The reissued claims 9, 10 and 11 of reissue Patent No. 24,226 are void because of unreasonable delay for a period of twelve (12) years in making application for the reissue.

73.

The specification and claims of the original patent No. 2,351,028 did not set forth or describe the use of a "single unit crystal".

*Findings Directed Primarily to Pringle et al. Patent No. 2,686,266*

74.

On August 10, 1954 United States Letters Patent No. 2,686.266 was issued to plaintiffs, Robert W. Pringle, Kenneth I. Roulston and George M. Brownell for an invention in improvements in radiation detectors and since that date said Robert W. Pringle, Kenneth I. Roulston and George M. Brownell have been

and still are the owners of said Letters Patent No. 2,686,266, subject to an exclusive license to make, use and sell the invention of said Letters Patent granted to the plaintiff, McCullough Tool Company. Claims 1, 2, 5-10, 13, 14, 20-23 are in issue.

75.

Claim 23 of the Pringle et al. Patent No. 2,686,266 is limited to a detector of neutrons and means for measuring their energies and intensities by virtue of proton recoil resulting from the impingement of fast neutrons upon a scintillation phosphor. Neither Well Surveys, Inc. nor Dresser Industries, Inc. has ever used in any commercial operation a phosphor which scintillates in response to fast neutron bombardment by virtue of proton recoil. Neither Well Surveys, Inc. nor Dresser Industries, Inc. has infringed claim 23 of the Pringle et al. Patent No. 2,686,266.

76.

Gamma rays emitted by formations, whether naturally or as a result of neutron bombardment, have energies (wave lengths) characteristic of the elements making up the formation. The relative intensities of gamma rays of various energies coming from a given formation is therefore determined by the relative abundance of the various elements contained in that formation. By selectively measuring the intensities of gamma rays of energies characteristic of particular elements, the abundance of those particular elements contained in the formation is ascertained.

77.

Claims 1, 2, 5 to 10, 13, 14, 20 to 22 of the Pringle et al. patent are limited to scintillation counter apparatus for the determination of energy characteristics of

gamma rays by analysing the pulses generated by the gamma rays to determine energy characteristics either by variation of an integral discriminator setting or by use of a differential discriminator.

78.

Claims 1, 2, 5 to 10, 13, 14 and 20 to 22 of the Pringle et al. patent, when limited as set forth in Finding 77, are valid.

79.

Crystal size is not critical to the invention claimed in the claims in issue of the Pringle, et al. patent.

80.

An integral discriminator with a single fixed level of discrimination cannot be used to measure energy characteristics except to the limited extent which is involved in excluding pulses of amplitude less than the fixed level and receiving and counting pulses of amplitude above the preselected level. This is not a measurement of energy characteristics as the term is used and defined in the Pringle patent.

81.

A fixed integral discriminator used with a scintillation counter including a crystal having a mass of at least 10 grams does not infringe any of the claims in issue of the Pringle patent. Infringement requires a differential discriminator or an integral discriminator with its discrimination level varied.

Well Surveys, Incorporated and/or Dresser Industries, Inc. (substituted for Lane-Wells Company) in the Northern District of Oklahoma and elsewhere in the United States, have made, used and/or operated within the period of six (6) years prior to the filing of

the Complaints herein, and are still utilizing and operating radioactivity well logging equipment employing a subsurface instrument which includes a scintillation counter as the detector of radiations which counter includes a single unit crystal sensitive to gamma rays and having a mass of at least ten grams. Said crystal is optically coupled to a photomultiplier tube and is housed within a light-tight, moisture-proof container in which the crystal is surrounded by reflecting powder whereby the container protects the crystal from moisture deterioration and the powder reflects scintillations produced in the crystal so that they may reach the photomultiplier tube. The mass of the crystal is such that the energies of gamma rays impinging thereon are converted within the crystal to scintillations. The crystal is transparent to its own scintillations, and its thickness is greater than the range of secondary particles produced by the majority of the gamma rays in the crystal. The crystal and photomultiplier tube are utilized in combination with a pulse amplifier, a threshold circuit (i.e., an integral discriminator), a scaler, and a pulse shaper.

83.

The various radioactivity well logging apparatus of Well Surveys, Inc. are shown and described in McCullough Exhibit No. 22. The only apparatus alleged to be infringing are those utilizing scintillation counters, i.e., Series 311, 312, 400, 401 and 403. These are described in the written descriptions of Exhibit 22 identified by these series numbers and are illustrated in the drawings of Exhibit 22 identified as WM1-C, WM2-A, WM3-A, WM4-A, WM5-A, WM6-A, WM7-A, S2816-A and S3211-A. The WSI scintillation counter apparatus is further generally illustrated and de-

scribed in McCullough Exhibit No. 61A. Lane-Wells Company (Dresser Industries, Inc.) has utilized modifications of at least some of the Series 311, 401 and 402 scintillation counter apparatus in performing the Chlorinilog and Cemotron operations illustrated and described in McCullough Exhibits 51B1, 51B2, 51C, 51D and 51E.

84.

A scintillation counter type of gamma ray detector produces individual electrical pulses of sizes proportional to the energies of the respective individual gamma rays detected. In radioactivity well logging the scintillation counter is utilized in conjunction with a discriminator that passes only those electrical pulses of sizes greater than its discrimination level, i.e., an integral discriminator. The discriminator may be set at any desired level of discrimination. Scintillation counters may be used as the radiation detector in making conventional gamma ray logs and neutron logs and, by appropriate modifications, can also be used to make spectral logs. In conventional natural gamma ray, neutron gamma ray, or gamma-gamma logging as performed by the parties with scintillation counters, the discriminator is maintained at a single fixed level to eliminate pulses from noise and low energy gamma rays during the entire measurement.

85.

McCullough has not sustained its burden of proof in showing that any claim in issue of the Pringle patent (claims 1, 2, 5-10, 13 and 20-23) is infringed by any scintillation counter instrument of Well Surveys, Inc. except as used in making that form of Chlorinilog run by Dresser Industries, Inc. which comprises a con-

ventional neutron-gamma ray log made with a scintillation counter at a given discrimination level and a second neutron-gamma ray log made with the scintillation counter at a different discrimination level.

86.

The claims in issue of the Pringle patent, if valid, are limited to spectral measurements, and as applied to radioactivity well logging the claims in issue (except claim 23), if valid, are limited to spectral logging where gamma ray energies are measured. They are not infringed by conventional radioactivity well logging as performed by Well Serveys, Inc. and/or Dresser Industries, such as gamma ray and neutron logging, whether or not scintillation counters are used.

87.

The Cemoton log is a gamma ray-gamma log run by Dresser Industries, Inc. and is used to locate the top of cement in a well.

88.

The Chlorinilog is a log run by Dresser Industries, Inc. to determine the relative presence of chlorine. The Chlorinilog is essentially a comparison of two neutron logs differently responsive to the relative presence of chlorine. When the two logs are plotted side by side, any divergence is indicative of chlorine.

89.

Well Surveys, Inc. and/or Dresser Industries, Inc. has run logs with Series 311, 312, 400, 401, 402 and 403 instruments where a single fixed discrimination level was used and the intensity of all gamma rays above the discrimination level was measured. Such operations were not spectral logging and did not infringe any of the Pringle claims in issue.

90.

The invention of the Pringle et al. Patent No. 2,686,266 was not introduced, imported or made known by Pringle et al. within the United States prior to November 10, 1949, the date when the corresponding Canadian patent application was filed. The earliest effective invention date for the Pringle et al. patent is therefore November 10, 1949.

*Findings Directed Primarily to*
*Martin et al. Patent No. 2,686,268*

91.

On August 10, 1954, United States Letters Patent No. 2,686,268 was issued to plaintiffs Philip W. Martin and Robert W. Pringle for a well logging device and since that date plaintiffs Philip W. Martin and Robert W. Pringle have been and still are the owners of said Letters Patent subject to the exclusive license granted to McCullough Tool Company to make, use and sell devices embodying the invention of said Letters Patent. Claims 1, 2, 3, 6, 8, 15-18 are in issue.

92.

In the operation of a scintillation detector system of well logging a problem existed in maintaining the scintillation detector system under a relatively stable condition of temperature throughout the varying high temperature conditions existing in a well.

93.

The Martin, et al. system of temperature control stablized the scintillation detector whereby the same will operate to log wells at temperatures in excess of 350° F.

94.

In oil well logging using a scintillation detector system of radiation detection it is important to the operation that the temprature of the scintillation detector be controlled at a relatively stable temperature throughout the operation.

95.

The claimed invention of the Martin, et al. Patent No. 2,686,268 has had wide commercial success.

96.

The scintillation detector system for oil well logging utilized by defendants, Well Surveys, Incorporated and Lane-Wells Company (Dresser Industries, Inc.) incorporates the same or equivalent elements having substantially the same mode of operation and produces substantially the same results as the device defined by claims 1, 2, 3, 6, 8 and 15 to 18, inclusive, of the Martin, et al. Patent No. 2,686,268, and would constitute an infringement of said claims if they were valid.

97.

A device similar to the apparatus disclosed by the Martin, et al. Patent No. 2,686,268 was first successfully operated in the stabilization of the temprature by radiation detector system in oil well logging in the well of the Union Oil Company out of Los Angeles, California in August 1950.

98.

The Martin, et al. Patent No. 2,686,268 as to claims 1, 2, 3, 6, 8 and 15 to 18, inclusive, is invalid in view of the patent to Miller No. 2,324,103 granted July 13, 1943; the Jackson Patent No. 2,521,294 granted September 5, 1950, and the publication by Louis Wouters entitled, "Solid Counters: Scintillation Counters," W.S.I. Patent Exhibit 19, T-62.

*Findings Directed to the Defense of Misuse*

101.

Well Surveys, Incorporated, hereinafter called WSI, was incorporated on May 4, 1939. It engaged immediately in research and development of various methods for the logging of oil wells by the detection and reading of radioactivity manifested by strata of the earth penetrated by a bore hole, including both natural emanations and those artificially induced by the logging apparatus. It designed, manufactured, used and sold apparatus for execution of oil well logs by radioactivity readings, and conducted research and experimentation in this field as well as others. This general activity continues to the date of these findings, except that WSI does not execute oil well surveys for others for hire.

At the date of its organization one-half of the stock of WSI was issued to and held by Socony-Vacuum Oil Company, which paid therefor the sum of $100,000.00, and the remainder of its stock was held by Engineering Laboratories, Inc., a corporation, and various individuals, among whom were inventors who had contributed certain patent applications, inventions, research data and apparatus to the enterprise. The stock of WSI was held in this fashion until the winter of 1950-1951, except that Engineering Laboratories, Inc., had disposed of its stock to individuals.

In the winter of 1950-1951 Lane-Wells Company, which was then a licensee of WSI, acquired one-half the stock of WSI from owners thereof other than Scony-Vacuum Oil Company. From the date of this acquisition until a date in 1954, the stock of WSI was held

one-half by Socony-Vacuum and one-half by Lane-Wells.

In 1954 Socony-Vacuum Oil Company sold its one-half of the stock of WSI to Lane-Wells Company, which then became the owner of all of the capital stock of WSI.

In the year 1955 Dresser Industries, Inc., became the owner of all of the stock of Lane-Wells Company and of WSI. On April 30, 1958, Dresser Industries, Inc., liquidated Lane-Wells Company. Since 1955 Dresser Industries, Inc., has been the sole stockholder of WSI. Since April 30, 1958 Dresser Industries, Inc., has provided through its Lane-Wells division the radioactivity well logging services formerly provided by Lane-Wells Company.

102.

At the date of its first contract with WSI, June 11, 1940, and until its liquidation in 1958, Lane-Wells Company was engaged in the business of oil well servicing for hire, rendering various completion services to drillers and operators of oil and gas wells, including logs and surveys of various types, perforating, and from shortly after June 11, 1940, radioactivity well logs. At the time of the first contracting of Lane-Wells with WSI, Lane-Wells was the owner of the Bender patent in suit relating to well logging by radioactivity readings, but conducted no research in the field, did not manufacture apparatus for radioactivity surveys, and held no patents relating to radioactivity well surveying other than the said Bender patent. The business of Lane-Wells consisted of the rendition of well completion services for others for hire.

103.

At the date of first contracting between WSI and Lane-Wells Company, WSI held a number of patents and patent applications relating to radioactivity well surveying, was conducting research and development work relating thereto, and was engaged in the design and manufacture of apparatus for executing well surveys by means of radioactivity readings. Its said patents and patent applications related both to methods for the accomplishment of such readings and to apparatus for the execution of the same.

104.

On June 11, 1940 WSI and Lane-Wells Company entered into a contract whereby WSI licensed Lane-Wells Company under its patents to practice radioactivity well surveying for others for hire. The license so granted was exclusive to Lane-Wells Company except for two limited non-exclusive grants previously given to Socony-Vacuum Oil Company, Inc., and Engineering Laboratories, Inc., and except for a reserved right in WSI to practice the said methods for its own account. A condition of this agreement required Lane-Wells to purchase from WSI all detecting and recording intruments for rendering radioactivity well logging services, including those used in the exercise of the licensed right, together with all equipment and materials having directly to do with radioactivity measurements, as distinguished from accessory equipment such as trucks, winch and cable. A further condition of this agreement was a covenant by Lane-Wells that it would not, during the contract term, engage intentionally in research and development work in radioactivity well logging, but that Lane-Wells would leave such research to WSI, which agreed to and did in fact continue it.

The term of the contract of June 11, 1940 was initially stated to extend to December 31, 1950, and from year to year thereafter unless terminated by notice. By an agreement dated January 1, 1948 the term of this cotract was extended to December 31, 1960, with like provisions for extension absent notice of termination. The said agreement was actually terminated on April 16, 1951, by the terms of a new agreement.

105.

By the agreement of June 11, 1940, Lane-Wells granted WSI a license exclusive except for Lane-Wells itself, under the Bender patent. Such patent was reissued after June 11, 1940, and expired in October of 1955. On April 12, 1956 the right to sue for past infringement of the Bender patent was assigned by Lane-Wells to WSI.

106.

On March 3, 1942 WSI made an additional agreement with Lane-Wells Company whereby a means or method for radioactivity well logging by employment of neutrons, together with other improvements in apparatus were licensed exclusively to Lane-Wells Company (with the same exceptions indicated in (104) above) for the practice of radioactivity well surveying for others for hire. A condition of the license granted by this contract was that Lane-Wells Company should purchase all detecting and recording instruments utilized in rendering radioactivity well logging services from WSI. A further condition of this license was a covenant by Lane-Wells not to engage in research and development work in neutron-gamma ray well logging, but to leave such research to WSI, which agreed to and did in fact continue it.

The term of this agreement was originally stated to expire on December 31, 1950. By a contract dated January 1, 1948 the term was extended to December 31, 1960, thereafter to extend from year to year unless terminated by notice. This contract was likewise actually terminated by the agreement between the same parties dated April 16, 1951.

107.

On July 30, 1945 WSI made another contract with Lane-Wells Company whereby the latter was licensed exclusively (with the same exceptions indicated in (104) above) under WSI patents to practice a means or method for locating casing collars in radioactivity well surveys made for others for hire. This contract was conditioned that Lane-Wells should purchase all detecting and recording instruments utilized in practicing the licensed method from WSI. The term of this license was extended in the same manner and for the same period and was terminated by the same agreement which ended the two preceding contracts between the same parties.

108.

The methods, inventions and apparatus covered by the Bender reissue patent No. 23,226, the Fearon neutron patent No. 2,308,361, the Fearon dual logging patent No. 2,390,433, and the Swift patent No. 2,554,844, all of which are in suit upon claim of infringement, were licensed to Lane-Wells Company under the grants and during the effective periods of the three license agreements described in the preceding findings, and one or more of the said patents were practiced by the said licensee under the terms of each of the said agreements.

109.

During the effective periods of the agreements of June 11, 1940, March 3, 1942, and July 30, 1945 Lane-Wells did purchase all detecting and recording instruments employed in practicing the licensed methods from WSI, and did in fact refrain from conducting research in accordance with such agreements.

110.

On April 16, 1951 WSI made another contract with Lane-Wells Company. Under the terms of this agreement Lane-Wells Company surrendered its exclusive license under the three preceding agreements, and the said earlier agreements were terminated. By the new agreement Lane-Wells received a non-exclusive license under all of the WSI patents, including those in suit, and agreed that WSI might license third parties to the practice of radioactivity well surveying, under its own patents and the Lane-Wells Bender patent, but only upon terms stated in the new WSI-Lane-Wells contract. It was a condition of this agreement that WSI should not license third parties except in one of the alternative forms and upon the terms stated in the agreement of April 16, 1951, except with the consent of Lane-Wells. Such terms required such licenses to be granted only under all of the WSI patents and at royalty rates fixed by the agreement. The two alternative forms of license for extension to third parties were denominated respectively as "Immunity" and "Research,Service and License" agreements, and the precise forms thereof were as set forth in Exhibits A and B to the agreement of April 16, 1951. Under the terms of the 1951 agreement WSI was not free to license less than the whole of its patent package to any

third party, and was not free to negotiate royalty rates less than those stated in its agreement with Lane-Wells, except with consent of Lane-Wells. Under the terms of this agreement no license to manufacture or procure instruments for practice of the licensed methods was granted to Lane-Wells and none was permitted to be granted to research and service licensees, with the effects found in finding (114). The royalty base of licenses permitted to be made by WSI to third parties was required to extend to all radioactivity well surveying whether or not accomplished by a licensed means or method, except as Lane-Wells otherwise consented.

The agreement of April 16, 1951 was stated to continue in force until December 31, 1960 and from year to year thereafter until terminated by notice; but the same was in fact terminated by a subsequent agreement between WSI and Lane-Wells Company dated June 1, 1956.

111.

The 1951 agreement was a substantial change from the 1940, 1942 and 1945 agreements. The 1951 agreement did not restrict Lane-Wells from research in radioactivity well logging, nor did it expressly provide that Lane-Wells should buy its detecting and recording instruments from WSI.

112.

Each of the patents in suit was in fact licensed to Lane-Wells and others pursuant to the provisions of the contract of April 16, 1951, or by standard license agreements made pursuant to its authority, and each of the said licensees practiced one or more of the patents licensed under the said agreements.

113.

Immunity licenses and research and service licenses were granted to third parties by WSI under and pursuant to the agreement of April 16, 1951 and in the forms and upon the terms required by the said agreement. Except as permitted by the express consent of Lane-Wells Company, which was given in certain instances, and until June 1, 1956, WSI granted no licenses to any licensee except under all of its patents and at the royalties stipulated in its contract with Lane-Wells. Until June 1, 1956 licensees were obliged to accept license under all or none of the WSI patents except as special consent was obtained from Lane-Wells.

114.

The practical effect of the research and service license agreements issued pursuant to and in the form required by the contract of April 16, 1951, was to require such licensees to purchase apparatus from WSI for the practice of the means and methods licensed under such agreements. While no express covenant to buy instruments from WSI was exacted in the said research and service license agreements, the form and manner of contracting left such licensees no alternative but to buy required apparatus from WSI.

115.

By its refusal pursuant to contract, to license otherwise than under the alternative package licenses exhibited to the agreement of April 16, 1951, except with consent of Lane-Wells, WSI coerced the acceptance of license under the whole of its patents by prospective licensees. The alternative of seeking different terms at the consent of Lane-Wells Company did not adequately alleviate the coercion exerted upon the li-

cense prospect. This coercion continued and existed until the termination of the 1951 agreement on June 1, 1956.

116.

At and for some time following April 16, 1951 WSI was dominant in the market for the sale of instruments suitable to execute well logs by radioactivity readings. WSI refused to sell its well logging apparatus except to holders of its research and service license agreement. At the time licenses under the WSI patents were first offered to traders other than Lane-Wells, WSI utilized its refusal to sell instruments to induce acceptance by licensees of its research and service license agreement, covering the whole of its patent rights, at an enhanced royalty rate. At June 1, 1956, WSI no longer dominated instrument and apparatus supply for practice of radioactivity well logging, and after that date its refusal to sell its apparatus was not a compelling factor in its license contracting.

117.

Following June 1, 1956 WSI was not dominant in the market for the sale of instruments and apparatus for radioactivity well surveying. After the said date the refusal of WSI to sell its apparatus to others than its research and service licensees was reasonable and did not tend to eliminate competition and did not have an anti-competitive effect.

118.

After June 1, 1956, if the availability of WSI apparatus was an inducement to prospective licensees to accept the research and service license at the 15 per cent royalty, the inducement was not rested upon a patent or patents, but was rested upon the reputation

of the apparatus, the readiness of WSI manufacturing facilities to produce instruments, WSI's services and the benefits of continuous research.

119.

In spring of 1956, WSI effected a decisive change in its patent licensing policy. Pursuant to this change in policy it terminated its agreement with Lane-Wells dated April 16, 1951, it amended its standard forms of license agreement to permit research and service licensees to manufacture or procure instrumentation elsewhere than from WSI, it published notice advising the public that it was prepared to license any or all of its patents on reasonable terms, it wrote letters to all of its existing licensees offering termination of existing agreements and the negotiation of new agreements on reasonable terms, and by such actions accomplished a complete purge of previously existing patent abuses as of June 1, 1956. It also made a new agreement with Lane-Wells which contained no provision limiting the right of WSI to license others or requiring the consent of Lane-Wells to any such license.

120.

After June 1, 1956, WSI has been willing to grant licenses under its patents individually or collectively upon negotiated reasonable terms. While after June 1, 1956, prospective licensees were urged to accept license under one of the package forms of license, this was done as a matter of salesmanship upon the theory that the package would best serve the needs of the licensee. There was no coercion of licensees contracting subsequent to June 1, 1956 to accept license under all of the WSI patents unwillingly.

121.

In the circumstances of this case the provision of WSI research-service and license agreements requiring licensees to grant back non-exclusive licenses under new inventions in the field of radioactivity well logging, with permission to WSI to sublicense such new inventions to its licensees did not have an anti-competitive effect, but tended to bring about a wider distribution of the use of new inventions.

122.

While the royalty base employed in the standard license agreements made by WSI after June 1, 1956 included or purported to include operations covered by the expired Bender patent, the extension of the royalty base to cover practice of expired patents was not coerced, after June 1, 1956, but was voluntary upon the part of the licensees, who were offered a real alternative by WSI's offer to grant a license under any individual patent or patents upon negotiated terms.

123.

The contracts and agreements, including amendments and terminations thereof which are included as items numbered 1 through 51 in the two Books of Contracts stipulated in the record by the parties, and likewise the certain contract which is marked as McCullough Misuse Exhibit 507-G, are found to have been made by the parties who purported to execute the same.

124.

The provision of WSI's standard form agreements with regard to termination or extension of the license on a sale by the licensee of the instruments did not forbid the licensee to sell the instruments, but were ap-

propriate provisions to protect WSI's rights on termination.

125.

No evidence was presented to sustain the charge that WSI or Lane-Wells intended by their contracting to fix prices of well logging services to third parties, or that their contracting had such effect.

126.

From April 16, 1951 until September 29, 1958 WSI refused to sell its radioactivity well logging apparatus to anyone except to its research service licensees. At and after September 29, 1958, WSI offered to make its said apparatus available also to holders of its revised immunity license which was also a package license, including all unexpired WSI radioactivity well logging patents applied for prior to January 1, 1958.

127.

WSI has continued to the date of this finding to grant licenses in which the royalty base is all of the licensee's receipts from radioactivity well logging operations, including those covered by the expired Bender and Fearon neutron patents, except where the licensee has accepted WSI's offer to grant a license on an individual patent basis or on some other narrower basis. WSI continues to the date of this finding to receive royalty payments from one or more of its licensees calculated on a royalty base which includes receipts of the licensee from operations covered by the said expired Bender and Fearon patents.

128.

The Swift Patent No. 2,554,844 is not invalid because of prior public use by Well Surveys, Inc., its li-

censee Lane-Wells Company or anyone if privity or connected with said parties or the inventor, L. M. Swift. All use prior to March 22, 1945 of the invention covered by the Swift patent was experimental only and the patentee was in good faith in carrying on the experimental work that was done with the tool or appratuas covered by said patent.

129.

There was only one tool covered by said Swift patent in use prior to the crucial date of March 22, 1945, and there were improvements made in said tool from time to time. The patentee might well have concluded before the experimental work was finished that he had seen enough, but it was not undersirable nor any indication of lack of good faith, that the precautions be taken that were taken. The use by Lane-Wells Co. of the Swift Casing Collar Locator assembled in radioactivity logging Instrument No. 225 assigned to truck No. 122 and later to truck No. 131 in wells of customers until sometime in the month of February 1945, was in the Houston District of the Gulf Coast area and later in February, said tool No. 225 with the Swift collar locator assembled therein and truck 131 were moved into the New Iberia District where different well conditions were encountered and the experimentation was continued there.

130.

The documentary evidence discloses repeated references by A. B. Winter and others to the Swift tool as being experimental in character, and while this is not conclusive, such references of these people made back in 1944 and 1945 when there was no reason to anticipate this litigation should be accorded great weight in

determining what was in their minds at that time and as to their good faith in continuing their experiments with said tool prior to March 22, 1945.

131.

There were no efforts to sell the Swift tool or the use of said tool to customers prior to March 22, 1945. The tool was used with permission of customers and payment was received in that the tool was used in connection with the regular radioactivity logging service made available to the customer, but there was no extra charge made nor has there ever been any extra charge made for the use of the Swift invention as a part of said radioactivity logging service. The use to which the Swift apparatus was finally put as sales media was to represent to the customers that they were getting more for their money when they transacted business with Lane-Wells and got the benefit of the additional information disclosed on the log by the use of the combination of collar locator and radioactivity logging apparatus covered by the claims of the Swift patent.

132.

The use prior to March 22, 1945 by Oil Well Water Locating Company and others of various forms of tools and equipment in performing the Stratagraph logging service was not a prior public use of the invention covered by the claims of the Swift patent No. 2,554,844.

133.

The use by Schulumberger Well Surveying Corp. of various forms of tools and equipment in performing its L.R.M. (Locating Radioactive Markers) service prior to March 22, 1945 was not a prior public use of the invention covered by the claims of the Swift Patent No. 2,554,844.

Upon the foregoing findings of fact the Court hereby enters the following

**Conclusions of Law.**

1. This Court has jurisdiction of the subject matter of these actions and of the parties hereto under the patent Laws of the United States.

2. The Bender Reissue Patent No. 23,226 as to claims 14, 15, 16, 19 and 20 thereof is good and valid in law.

3. Claim 16 of the Bender Reissue Patent No. Re. 23,226 has been infringed by the manufacture, use and sale by McCullough Tool Company of apparatus for performing natural gamma ray logging and claims 14, 15, 16, 19 and 20 of said patent have been infringed by all of the natural gamma ray logging operations performed directly or indirectly for hire by the McCullough Tool Company prior to the expiration of said Bender patent.

4. The Fearon Patent No. 2,308,361 as to claims 2 and 3 thereof is good and valid in law.

5. Claim 3 of the Fearon Patent No. 2,308,361 has been infringed by the manufacture, use and sale by McCullough Tool Company of apparatus for performing neutron logging and claims 2 and 3 of said patent have been infringed by all of the neutron logging operations performed directly or indirectly for hire by the McCullough Tool Company prior to the expiration of said Fearon patent.

6. The Fearon Patent No. 2,390,433 as to claims 1, 4, 5, 10 and 13 thereof is invalid and void as failing to define invention over the prior art since the subject matter thereof would have been obvious to a person having ordinary skill in the art.

7. If valid, claims 4 and 5 of Fearon Patent No. 2,390,433 would have been infringed by the manufacture, use and sale by McCullough Tool Company of apparatus for performing gamma ray and neutron logging simultaneously and, if valid, claims 1, 4, 5, 10 and 13 of said patent would have been infringed by all well logging operations performed by McCullough Tool Company directly or indirectly for hire wherein a gamma ray log and a neutron log were obtained simultaneously with the same subsurface logging tool.

8. The Swift Patent No. 2,554,844 as to Claims 1 to 6 inclusive thereof is good and valid in law.

9. Claims 1 to 6 inclusive of the Swift Patent No. 2,554,844 have been infringed by the manufacture, use and sale by McCullough Tool Company of apparatus for simultaneously making radioactivity measurements and locating the casing collars in a cased well and by all radioactivity well logging operations performed directly or indirectly for hire by McCullough Tool Company wherein radiation measurements and casing collar locations were made simultaneously with the same subsurface logging tool.

10. The Fearon Reissue Patent No. Re. 24,226 is good and valid in law as to claims 5 and 6 thereof, but reissue claims 9, 10 and 11 of said patent are invalid and void for laches in filing the application for reissue.

11. The Fearon Reissue Patent No. Re. 24,226 is a mere paper patent, and claims 5 and 6 thereof must therefore be construed to cover exactly what is shown in said patent and as so construed, said claims have not been infringed by the McCullough Tool Company.

12. The Pringle et al. Patent No. 2,686,266, as to claims 1, 2, 5-10, 13, 14, 20, 21 and 22 thereof, is good and valid in law, but only if limited to scintillation counter apparatus used for the determination of energy characteristics of gamma rays by analyzing the electrical pulses generated by the gamma rays to determine energy characteristics either by variation of an integral discriminator setting or by use of a differential discriminator.

13. Claims 1, 2, 5-10, 13, 14, 20, 21, and 22 of the Pringle, et al. Patent No. 2,686,266 have not been infringed by any apparatus made, used or sold by Well Surveys, Inc., Lane-Wells Company or Dresser Industries, Inc., except as used by Dresser Industries, Inc. in making that form of Chlorinlog which comprises a conventional neutron-gamma ray log made with a scintillation counter at a given discrimination level and a second neutron-gamma ray log made with the scintillation counter at a different discrimination level.

14. Claim 23 of the Pringle et al. Patent No. 2,686,266 has not been infringed by any apparatus made, used or sold by Well Surveys, Inc., Lane-Wells Company or Dresser Industries, Inc.

15. The Martin et al. Patent No. 2,686,268 as to claims 1, 2, 3, 6, 8, 15, 16, 17 and 18 is invalid and void as failing to define invention over the prior art.

16. If valid, claims 1, 2, 3, 6, 8, 15, 16, 17 and 18 of the Martin et al. Patent No. 2,686,268 would be infringed by the manufacture and sale by Well Surveys, Inc. and the sale and use by Lane-Wells Company and Dresser Industries, Inc. directly or indirectly for hire, of the scintillation counter radioactivity well logging apparatus in which refrigeration means in the subsurface

tool is used for stabilizing the temperature of the scintillation counter.

17. Except as limited in time by Conclusion of Law No. 23, Well Surveys, Inc. is entitled to judgment against McCullough Tool Company for damages, to be assessed following an accounting, for infringement of Patents No. Re. 23,226, No. 2,308,361 and No. 2,554,844, and for an injunction in usual form against further infringement of Patent No. 2,554,844. Said accounting and injunction should be stayed pending appeal if any in either of these actions.

18. The individual parties Pringle, Roulston and Brownell and their licensee McCullough Tool Company, as their interest may appear, are entitled to judgment against Dresser Industries, Inc. for damages, to be assessed following an accounting, for infringement of Patent No. 2,686,266 and for an injunction in usual form against further infringement of said patent. Said accounting and injunction should be stayed pending appeal if any in either of these actions.

19. The first cause of action (for declaratory relief) alleged in the amended complaint in Civil Action No. 3956 should be dismissed as to all patents of Well Surveys, Inc. mentioned therein except those patents as to which a dismissal has heretofore been entered and except those patents hrein adjudicated as set forth in the foregoing conclusions of law.

20. There was no public use of the invention of the Swift Patent No. 2,554,844 prior to March 22, 1945.

21. The Court has jurisdiction of the parties and of the subject matter presented upon the charge of McCullugh Tool Company that Well Surveys, Incorporated has misused its patents.

22. Well Surveys, Incorporated misused its patents in suit for the period beginning June 11, 1940 and continuing until June 1, 1956, in violation of the policy of the United States relating to the grant, holding and exploitation of patents.

23. By reason of the misuse of its patents Well Surveys, Incorporated is precluded and barred from any recovery or relief against McCullough Tool Company for infringement of the patents in suit occurring prior to June 1, 1956.

24. Well Surveys, Incorporated has not misused its patents since June 1, 1956.

25. In view of the purge found to have been effected by Well Surveys, Incorporated as of June 1, 1956, the said corporation is entitled to enforce its valid patents against infringement occurring subsequent to the said date, notwithstanding the misuse found to have existed prior thereto.

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# In the Supreme Court of the United States

OCTOBER TERM, 1965.

No. 366.

McCULLOUGH TOOL COMPANY, *et al.*,
*Petitioner,*

vs.

WELL SURVEYS, INC. *et al.*,
*Respondent.*

## BRIEF OF RESPONDENT, WELL SURVEYS, INC. (AND DRESSER INDUSTRIES, INC.) IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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## OPINIONS BELOW.

The opinion of the Court of Appeals for the Tenth Circuit is reported at 343 F. 2d 381, and appears on pages 1a to 57a of the Appendix to the Petition (hereinafter cited as "App."). The findings of fact and conclusions of law of the United States District Court for the Northern District of Oklahoma are reported at 199 F. Supp. 374, and appear on pages 61a through 117a of the Appendix.

* While this case was pending in the Tenth Circuit Court of Appeals, the assets and liabilities of Well Surveys, Inc., including all patents owned by it and its interest in the present case, were transferred and assigned to its parent corporation, Dresser Industries, Inc., which was also a party to this case. For simplicity of reference, the name Well Surveys, Inc. will be used in this brief to refer to both Well Surveys, Inc. and Dresser Industries, Inc.

## JURISDICTION.

The jurisdictional requisites are adequately set forth in the Petition.

## QUESTIONS PRESENTED.

Respondent disagrees most emphatically with the statement of Questions Presented in the Petition.

1. Question 1 as stated by Petitioner is not presented by the record. There is no showing of any effort to extend the monopoly of expired patents. The fact is merely that Respondent, except where otherwise requested by a licensee, used the licensee's total receipts from radioactivity well logging as a royalty base for determining the royalty charged for the patents actually licensed. Nor is there any showing in this case of inclusion in a royalty base of operations covered "only" by expired patents. The record shows that, even after expiration of the Bender patent on the broad method of natural gamma ray logging, Respondent's unexpired patents still covered methods, combinations and equipment normally used in this type of logging theretofore covered by Bender as well.

Question 1 was correctly stated by the Court of Appeals as follows (App. 53a):

> "The question thus presented is whether a license agreement covering a package of patents, voluntarily entered into by the parties, is unlawful by reason of the fact that the royalties payable thereunder are based upon the licensee's overall operations and upon a package of patents, some of which have expired or will expire during the effective period of the agreement."

As we shall show, the Court of Appeals correctly answered this question in the negative on the authority of *Automatic Radio Co. v. Hazeltine*, 339 U. S. 827.

2. The factual assumptions embodied in Petitioner's statement of its Question 2 are also totally incorrect. We believe that the following, paraphrased from the Court of Appeals opinion (App. 50a), is a proper statement:

> Is the finding of the District Court that Respondent had discontinued its prior misuse and purged itself as of June 1, 1956 supported by the record?

3. Questions 3 and 4, directed to the patent issues, similarly assume facts contrary to the evidence. Each of said questions is abstract, and whether it be answered in the affirmative or the negative, the answer cannot affect the decisions below. Having lost in both the District Court and the Court of Appeals on the facts *as they are*, Petitioner now seeks to have this Court reopen the case on a set of hypothetical facts.

Question 3 queries whether 35 U. S. C. 112 changed the alleged pre-existing law by expanding the doctrine of equivalents to include ingredients not known to be equivalents at the date of Plaintiff's patent but invented thereafter. This question is completely unsupported by the facts in this case, since all of the ingredients of the Petitioner's infringing device were in fact well-known long prior to the date of the Swift patent as equivalents of the ingredients described in said patent.

4. Question 4 queries whether 35 U. S. C. 103 can be construed to impart patentability to claims for a combination of old elements where the whole does not in some way exceed the sum of its parts. This question likewise is not properly before this Court, since, as the District Court found and the Circuit Court affirmed, the new combination of old elements comprising the Swift patent produced

a new result not achieved by the old elements operating separately. Obviously, therefore, the whole exceeds the sum of its parts.

## CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED.

These provisions are adequately set forth in the Petition.

## STATEMENT OF THE CASE.

### 1. THE PATENT ISSUES.

Since Petitioner's statement of the case on the patent issues is incomplete and in some respects inaccurate, we here briefly restate the facts as to the patents in suit, and particularly as to the Swift patent.

The three patents in suit, Bender (R. 1100), Fearon (R. 1105) and Swift (R. 1109) relate to radioactivity well logging, which is a process of measuring in a well the radioactivity of the formations or strata at various depths and recording at the surface those measurements in correlation with depth in the form of a graph or log. Radioactivity well logging was the first method to successfully log through well casing and is still the only method available to the oil industry for logging through casing. By measuring the radiations coming from the formations, information is obtained as to the possibility of finding oil in said formations, such information being of great value to the industry in its endless search for oil. The conventional types of radioactivity logging are gamma ray logging in which the intensity of natural gamma rays from the formations traversed by the well are measured, and neutron logging wherein the formations are bombarded with neu-

trons and the intensity of radiations emitted as a result thereof (gamma rays and neutrons) are measured (F. 7-10; App. 65a-67a).

The Bender patent (R. 1100) pioneered the wholly new art of radioactivity well logging. Bender was the first to teach natural gamma ray logging, and his patent discloses apparatus including a tool for traversing the various strata of a well with a radiation detector (a Geiger counter) to produce electrical signals indicative of the natural radioactivity of the strata, transmitting said signals to the surface and there recording them in correlation with depth to produce a log giving information concerning the lithology of the formations. (F. 15; App. 69a, 70a.)

While the Bender invention of gamma ray logging produced much valuable information, there remained a need in the oil industry for still more information concerning the formations and particularly as to their porosity and possible oil content. The invention of the Fearon patent (R. 1105) met this need for additional information by the wholly new process of neutron logging. The Fearon patent taught traversing a well with a tool having a source of neutrons therein for bombarding the formations and a radiation detector (an ionization chamber) to produce electrical signals indicative of the resulting radiations, and sending said signals to the surface for recording in correlation with depth to produce a graph or log of said radiations. (F. 33-35; App. 77a, 78a.)

The Petitioner's methods and apparatus for practicing gamma ray logging and neutron logging using a scintillation counter as the radiation detector were found by both courts below to infringe the Bender and Fearon patents, respectively, the scintillation counter used by Petitioner being held to be in all respects equivalent to the Geiger counter used by Bender and the ionization chamber used

by Fearon. (F. 18, 19, 38; App. 71a, 72a, 79a.) This equivalency was known prior to the date of Bender's original patent issued in 1938. (F. 30; App. 76a.)

Prior to the invention of the Swift patent (R. 1109) which was filed in 1946 and issued in 1951, the radioactivity well logging industry had not been able to solve the problem of accurate depth measurement, and since depth measurement is just as important to a well log as the radiation measurement, the problem was very serious. This problem was first solved by the invention of the Swift patent which met with immediate and substantial commercial success. (F. 54, 55; App. 85a, 86a.)

As the Trial Court found (F. 54-60; App. 85a-88a), and the Court of Appeals affirmed (App. 12a-17a), Swift utilizes the collars connecting successive sections of the well casing as bench marks to indicate depth and thereby produce an improved log. The Swift patent discloses and claims a well logging tool which, when lowered into the well, simultaneously produces radiation signals and collar location signals, combines said signals, transmits them to the surface, and then simultaneously records the signals to provide a log in which the radiation measurements are accurately correlated with depth by the casing collar record. The casing collar signals are *primary* depth measurements made separately at the same time and place as the radiation measurements, the two measurements being tied together at the place of measurement by combining the separate signals. As both courts below held, the resulting log is essentially different from and more accurate than a log wherein depths are determined by secondary measurements made at the surface, separated from the point of radiation measurement by the length of cable in the hole, as was the practice prior to Swift. *This is a new and useful*

*result* that no prior invention had ever achieved and was the first satisfactory solution of the problem.

In the Swift patent, the casing collars are located by magnetic means, and the specific form of radiation detector illustrated is an ionization chamber. The lower courts found direct infringement of the Swift patent by Petitioner's logging apparatus which uses a scintillation counter type of radiation detector. In Finding 61, the trial court found (App. 89a) that:

> "* * * Each and every element of Claims 1 through 6 of the Swift patent is employed in the McCullough apparatus in the same way as disclosed by Swift to achieve the same result. Each of the Swift claims in issue reads directly upon the McCullough apparatus and has been infringed by McCullough each and every time it performed radioactivity well logging involving the location of casing collars after the Swift patent issued."

The full equivalency of Geiger counters, scintillation counters and ionization chambers for use in radioactivity well logging is set forth in Findings 19 and 38 (App. 72a, 79a). Finding 38 states:

> "Geiger counters, scintillation counters and ionization chambers are all detectors of radiation and each may be made sensitive to either gamma rays or neutrons. It is a matter of choice as to which type of detector is used * * *."

As the Court of Appeals observed, this was proved by Petitioner's own expert witness (App. 36a, 37a). This equivalency of said radiation detectors was known prior to the date of the Bender patent and therefore long prior to both the date of the Swift patent and the date of the Swift application. (F. 30; App. 76a.)

**2. THE MISUSE ISSUES.**

Petitioner's statement of the case as to the misuse issues is argumentative and, in our view, misleading. Again, we find it necessary to restate the case, at the cost of some repetition.

Well Surveys, Inc. ("WSI"), organized in 1939, was the pioneer in radioactivity well logging—the first system of logging oil wells which could log cased holes. In 1940, it succeeded in interesting Lane-Wells, an established oil well service company, which already owned one radioactivity well logging patent—the Bender patent—but had done nothing with it, in commercializing the new system, under an exclusive license agreement. In 1942, and in 1945, it entered similar exclusive license agreements with Lane-Wells covering later developments in its logging methods.

The lower courts held that these agreements involved patent misuse insofar as they required Lane-Wells to purchase all of its detecting and recording instruments from WSI, and insofar as they prohibited Lane-Wells from engaging in independent research in the radioactivity well logging field.

By 1951, there were at least four strong competitiors —Schlumberger, Perforating Guns Atlas, Halliburton, and McCullough—each of which was engaged in radioactivity well logging with its own manufactured apparatus, and still other companies were interested in entering the business. In that year, after Lane-Wells had acquired a 50% stock interest in WSI, WSI and Lane-Wells canceled their earlier agreements and entered into a new agreement. Under the 1951 agreement, Lane-Wells gave up its exclusive license and received a non-exclusive license, and WSI was authorized to license others under its own patents

and the Lane-Wells Bender patent, in either of two agreed forms.

One of them, entitled "Immunity Agreement," was designed for licensees who wished to do their own research and manufacture their own equipment. This was a bare license to use any of the 50 or more radioactivity well logging patents then issued to WSI or Lane-Wells, with a right to make or have others make logging instruments under such patents, but without any rights to purchase such instruments from WSI or to obtain the results of WSI's continuing research. The royalty under the Immunity Agreement was 5% of the licensee's total charges for radioactivity well logging.

The other authorized agreement was a "Research, Service and License Agreement," at a royalty rate of 15% of the licensee's total charges for radioactivity well logging. This agreement, in addition to granting a license under present and future patents in the field, assured to the licensee the benefits of WSI's continuing research and development work, and a continuing source for procuring instruments incorporating the results of this work.

The District Court found that the 1951 agreement was a "substantial change" from the previous agreements, that it did not restrict Lane-Wells from research, and that it did not expressly require Lane-Wells to buy instruments from WSI (Finding 111, App. 105a). The District Court also stated that whether the 1951 agreement involved any misuse was "a much closer question" (R. 648). Both lower courts held, however, that it did involve misuse in two respects. One was that it required WSI to obtain the consent of Lane-Wells before granting a license to a third party on any other than the two approved forms—even though the record showed that Lane-Wells had freely consented to special licenses and had never refused its consent

(R. 510). The other was that the failure of the 1951 agreement to give a Research Service licensee an express license to manufacture its own instruments in effect compelled the licensee to buy from WSI any instruments covered by WSI patents.

In 1954, Lane-Wells purchased the remaining 50% of the stock of WSI, and in 1955 it was itself acquired by Dresser Industries, Inc. In October, 1955, the Bender patent on natural gamma ray logging expired. However, all of the 70 or 75 other radioactivity well logging patents owned by WSI remained unexpired, and, as shown on page 20 and Annex A of this Brief, these included patents normally used in natural gamma ray logging operations.

By 1956, there were at least a dozen companies doing radioactivity well logging, some licensed by WSI and some not, most of them making their own equipment. The record clearly shows, and the District Court expressly found, that by 1956 WSI no longer dominated the market in instruments and apparatus for radioactivity well logging (Findings 116, 117, App. 107a).

Early in 1956, shortly after its acquisition by Dresser, WSI pursuant to resolutions by its Board of Directors (Ex. 524A, R. 3153) effected what the District Court found to be a "decisive change in its patent licensing policy." As found by the District Court in Finding 119 (App. 108a):

> "In spring of 1956, WSI effected a decisive change in its patent licensing policy. Pursuant to this change in policy it terminated its agreement with Lane-Wells dated April 16, 1951, it amended its standard forms of license agreement to permit research and service licensees to manufacture or procure instrumentation elsewhere than from WSI, it published notice advising the public that it was prepared to license any or all of its patents on reasonable terms, it wrote letters to all of its existing licensees offering termination of

existing agreements and the negotiation of new agreements on reasonable terms, and by such actions accomplished a complete purge of previously existing patent abuses as of June 1, 1956. It also made a new agreement with Lane-Wells which contained no provision limiting the right of WSI to license others or requiring the consent of Lane-Wells to any such license."

Despite Petitioner's assertions to the contrary, the record is clear that WSI's offers to negotiate licenses under any or all of its patents on reasonable terms, and to terminate existing licenses to permit its licensees to negotiate such licenses, were made and fulfilled in good faith. The District Court found in Finding 122 (App. 109a):

"While the royalty base employed in the standard license agreements made by WSI after June 1, 1956, included or purported to include operations covered by the expired Bender patent*, the extension of the royalty base to cover practice of expired patents was not coerced, after June 1, 1956, but was voluntary upon the part of the licensees, who were offered a real alternative by WSI's offer to grant a license under any individual patent or patents upon negotiated terms."

This finding is fully supported by the evidence. The record shows that WSI's reasons for drawing its standard license agreements in "field" or "package" form were convenience in accounting and the fact that many licensees did not know exactly which patents they would need. The

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* We wish to point out that none of the agreements made after October, 1955, granted or purported to grant a license *under* the expired Bender patent. The royalty basis on license agreements made after June 1, 1956 continued to be the licensee's total receipts from radioactivity well logging, except where a narrower base was requested. As previously stated, there were a number of patents still unexpired which were normally used in natural gamma ray logging operations.

record also shows that WSI was willing to, and did, negotiate special licenses with a narrow royalty base whenever a licensee preferred to do so. Thus, Dr. John Buck, WSI's Vice-President and Technical Director, testified (R. 510):

> "Q. Why, if you know, did Well Surveys offer licenses of this field or package form?
>
> A. Well, it is an easy way of accounting, was one reason, and the other is that in many cases companies were not sure of what they did really want. Our thought was that if they had the whole group of licenses or patents, of course they were completely covered by any patents we had. If they didn't want them, they didn't have to have them, but at least it was a convenient way of offering the license arrangement."

Even before June 1, 1956, WSI had never insisted on basing its royalty on the licensee's entire receipts from radioactivity well logging. It had consistently offered and granted licenses with narrow royalty bases from which expired or undesired patents were excluded, whenever a licensee so requested.

In 1953, it had granted to Perforating Guns Atlas a special license under four patents, under which a royalty of 1% was payable on gamma ray logging only, until expiration of the Bender patent which covered gamma ray well logging broadly, and a royalty of 2% was payable on neutron logging, which was covered by the other licensed patents (Ex. 502*, Agreement 38). In 1954, it had extended a similar license to B J Service, Inc. (Ex. 502, p. C-174).

The offers of special licenses included an offer to Petitioner, McCullough Tool Company, in December, 1954.

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* Second Book of Contracts, filed as part of the record.

With respect to this offer, Mr. I. J. McCullough, President of Petitioner, testified that Dr. Russell Otis, Vice-President of WSI and Lane-Wells, had told him that:

> "They had numerous royalty license arrangements, such as immunity, research and service, and *that they could even doctor up one to fit our special needs if that was necessary.*" (R. 534.)*

WSI's offer to license McCullough under individual patents was repeated in a letter to Mr. McCullough dated May 14, 1956 (R. 3223 to 3225). Neither offer was ever accepted.

Dr. Buck specifically testified that he knew of no instance in which WSI refused a request by a prospective licensee to pay royalty on a narrower base (R. 513).

It is significant that shortly after the Bender patent expired in 1955, WSI amended its standard license agreement forms to omit reference to the Bender patent, and voluntarily gave a royalty reduction to its licensees in the form of a lower royalty rate applicable to the same royalty base (R. 3206, 3111).

After June 1, 1956, WSI entered further special agreements. On November 1, 1956, it made a special neutron logging agreement with James M. Bird of Bradford, Pennsylvania (Ex. 502, Agreement 46). By this agreement, Bird was licensed under two Fearon neutron logging patents only, and agreed to pay a royalty of 5% of his gross charges for neutron logging operations only, provided that, after one of the two patents expired, the royalty was to be payable only on operations covered by the other.

In many cases, licensees who wanted special licenses under particular patents preferred, as a matter of con-

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* Emphasis is ours throughout this brief, unless otherwise indicated.

venience, to pay a lower royalty rate on their total logging charges, rather than segregate charges for operations covered by the particular patents. Thus, special agreements for licenses under varying numbers of patents were entered into at royalty rates of 3, 4, 5, and 10% of total logging charges (Ex. 502, Agreements 49, 51, 30A and 27).

Petitioner argues on page 17 that WSI did not carry out in good faith the offer it made on May 15, 1956 to Welex—one of its Research Service licensees—to terminate its existing agreements and negotiate a license on reasonable terms under any or all of its patents. Nothing could be further from the truth. WSI never refused to give Welex a license under individual patents with a royalty base excluding operations covered only by expired patents, but affirmatively offered to grant Welex such a license (R. 3060). What Welex wanted was to obtain a Research Service Agreement—that is, an agreement under which Welex would receive, in addition to a license under existing patents, the benefit of WSI's continuing research and know-how *throughout the radioactivity well logging field*—but to pay royalty on only a part of its operations in this field. This WSI was understandably unwilling to agree to. WSI's position is clearly stated in its letter to Welex, dated October 19, 1956 (R. 3072):

> "* * * If you wish a bare immunity, we should be glad to grant you immunity under any or all of our patents at a lower royalty rate, and royalty could be based upon patented operations only. However, while you are receiving the benefits of research in the entire field of radioactivity well surveying, we must base our royalty upon this field. Even in gamma ray logging you are receiving and will receive the benefits of the latest developments resulting from our research. We believe that competing companies cannot offer serv-

ices as good as yours without spending even more money on their own research and development."

The remainder of WSI's correspondence with Welex was in all respects consistent with the above offer (R. 3063). Petitioner's contentions with regard to Welex were exhaustively presented below, and were rejected as without merit by both the District Court and the Court of Appeals (App. 50a).

Petitioner also argues that agreements entered into before June 1, 1956, which contain terms found by the lower courts to constitute misuse, continued in effect after that date. The answer to this argument is that in May, 1956, as found by the District Court, WSI offered all its licensees the new forms of agreement, and alternatively offered to permit them to terminate their existing agreements and take licenses on reasonable terms under any or all of the WSI patents they desired (R. 3060, 3085, 3203). While two of the licensees did not accept WSI's offer prior to June 1, 1956, WSI kept the offer open and, before the end of the year, wrote each of these licensees a letter unilaterally confirming their right to make the instruments or acquire them from any source they saw fit (R. 3075, 3095).

The record fully supports the findings of the District Court which were affirmed by the Court of Appeals, that by June 1, 1956 WSI had "accomplished a complete purge of previously existing patent abuses," and that after this date "the extension of the royalty base to cover practice of expired patents was not coerced," but that licensees "were offered a real alternative by WSI's offer to grant a license under any individual patent or patents upon negotiated terms." (Findings 119, 122, above quoted.)

## SUMMARY OF ARGUMENT.

*Question 1.* The decision below in no way conflicts with *Brulotte v. Thys Co.*, 379 U. S. 20.

In the instant case the "last of the patents" had not expired. Even after expiration of the Bender patent covering natural gamma ray logging broadly, there were many WSI patents available for use, and used, by WSI's licensees, including a number of patents normally used in natural gamma ray logging. Nor was there any "attempt" to "exact" royalties after expiration or to "extend * * * spent monopolies * * * into another term." WSI's use as a royalty base of the licensee's total receipts from radioactivity well logging—except where the licensee preferred to base royalty on the coverage of particular patents, terminating when the patent expired—was a matter of accounting convenience for both parties. The lower courts found, and the record shows, that at all times after June 1, 1956, WSI was willing to grant licenses under any individual patent or patents upon negotiated terms.

The decision below is well within this Court's holding in *Automatic Radio Co. v. Hazeltine*, 339 U. S. 827, and does not conflict with any decisions of this Court or any other court. It is correct in principle, as it should not be illegal for a licensor and a licensee, as a matter of mutual convenience, to agree voluntarily to base royalties on a licensee's total receipts from a general field, so long as there are a number of unexpired patents available for use, and used, and the licensor is willing to license individual patents for a negotiated royalty terminating when the individual patents expire.

*Question 2.* The question of purgation of misuse which Petitioner raises is a question of fact, and the record in this case amply sustains the concurrent findings of the two lower courts that WSI had purged its prior patent mis-

use by June 1, 1956, and that it was guilty of no misuse after that date.

*Question 3.* The concurrent decisions below that the Swift patent is infringed are clearly right and are not in conflict with 35 U. S. C. 112 or any decision of this Court.

The petition should be denied as to Question 3 since it is wholly abstract and is not presented by the facts of this case.

The lower courts held all of the Swift claims to be directly infringed by Petitioner's logging apparatus. Petitioner attempts to circumvent these concurrent findings and brings this case within *Gill v. Wells*, 22 Wall. 1, by arguing that an ingredient of their tool was not known as an equivalent of the corresponding ingredient of the Swift tool at the date of the Swift patent. This argument is bad on its face, since the Swift patent issued on May 29, 1951, whereas Petitioner's infringing apparatus was in commercial use in 1950 and therefore was "known as an equivalent" prior to the date of the Swift patent.

Petitioner also argues a modified form of its question, based on the date of the Swift *application* rather than the date of the patent. This is still contrary to the facts, since the equivalency of the radiation detectors used by Swift and the Petitioner was well known long prior to the date of the Swift application (F. 19, 30, 38; App. 72a, 76a, 79a).

The issue of "known equivalent" was raised in the trial court as to the Bender and Fearon patents, was decided adversely to Petitioner, and was abandoned by it. It was never raised in either of the courts below as to the Swift patent.

Finally, Petitioner argues that because it obtained a patent on an alleged improvement of a part of the Swift combination it can escape the charge of infringement. This

is directly contrary to the holding of this Court in *Temco v. Apco*, 273 U. S. 319, 328 and many other cases.

*Question 4.* In sustaining the validity of the Swift patent, the courts below applied the proper standard of invention as defined by the decisions of this Court.

The petition should be denied as to Question 4, since it, too, is abstract and not supported by the facts. The courts below held the Swift patent to be a new combination of old elements which produced a new and useful result of great value.

Petitioner quoted a portion of the opinion of the Appellate Court in an attempt to show that it ignored *A & P v. Supermarket*, 340 U. S. 147, and other decisions of this Court, but Petitioner fails to quote portions of said opinion appearing immediately before and after the quoted portion, which clearly show that the Appellate Court did follow the decision of this Court.

The evidence clearly supports the concurrent findings below which are entitled to great weight and should not be upset unless clearly erroneous. *Williams v. United Shoe*, 316 U. S. 364, 367.

## ARGUMENT.

### 1. THE DECISION BELOW ON THE MISUSE ISSUES IN NO WAY CONFLICTS WITH THE DECISION OF THIS COURT IN BRULOTTE v. THYS OR WITH ANY OTHER DECISION, AND IT IS CLEARLY CORRECT.

Petitioner's principal argument for certiorari is based on an alleged conflict between the decision below and the decision of this Court in *Brulotte v. Thys Co.*, 379 U. S. 29. In *Brulotte*, decided November 16, 1964, this Court held:

> "That after expiration of the last of the patents incorporated in the machines, the grant of patent monopoly was spent, and that an attempt to project into another term by continuation of the licensing agreement is unenforceable."

The Court of Appeals in the instant case, after ordering a reargument addressed solely to the effect of *Brulotte*, held unanimously that *Brulotte* did not apply, and that the instant case was governed by this Court's decision in *Automatic Radio Co. v. Hazeltine*, 339 U. S. 827 (1950).

In its statement of Questions Presented, Petitioner attempts to create the impression that in the instant case the "last of the patents" had expired, and also that WSI's license agreements were an attempt to extend the monopoly of expired patents. There is no basis for either of Petitioner's contentions.

#### (a) In the instant case "the last of the patents" had not expired.

When the Bender patent expired in 1955, all of WSI's 70 or 75 other patents in the radioactivity well logging field were still unexpired. The great majority of them were still unexpired after the expiration of the Fearon neutron logging patent in 1960. The variety and coverage of the

remaining patents is indicated in the testimony of Dr. Buck, Vice-President and Technical Director of WSI (R. 511).

Petitioner, however, argues that, after the expiration of Bender in 1955, WSI had no more patents covering one particular method of radioactivity well logging—natural gamma ray logging. We doubt that this is determinative under *Brulotte*. As long as WSI had many unexpired patents available for use, and used, by its licensees in their logging operations, we doubt it is essential to the validity of its license agreements under *Brulotte* that it have patents covering every operation in its royalty base. In the present case, after the expiration of Bender, and after the expiration of Fearon, there were still a large number of patents available for use by the licensees, and it is unchallenged that many of them were in fact used in their operations and equipment.

However, if it be an issue whether, after the expiration of Bender, WSI still had unexpired patents used in natural gamma ray logging, the record—contrary to Petitioner's assertion—shows beyond peradventure that it did. While the patent covering natural gamma ray logging broadly had expired, the unexpired patents still covered various methods, combinations and equipment which were normally used in this type of logging. The facts in this regard are summarized by Dr. Buck in a letter to Welex dated May 14, 1957 (R. 3064):

> "* * * As you are no doubt aware, Gamma Ray logging as presently practiced involves a number of existing patents. For example, patents covering the following are usually involved—casing collar locator, scintillation counter equipment, surface power supply, etc. Tracer logging is regarded as an entirely separate field from natural Gamma Ray logging, and there are a number of patents and patent applications in this

field. The expired patents in these fields are, of course, free for anyone's use."

The above statement is substantiated and amplified by the testimony of Dr. Buck, on both direct and cross examination, of which some pertinent excerpts are printed as Annex A to this brief. There is nothing in the record in any way contradicting his testimony.

The record is therefore clear that after the expiration of Bender, WSI still had patents covering many features of natural Gamma Ray logging which were normally used by its licensees and others in such operations. Nor is there any basis for Petitioner's assertions that these patents were "unimportant." As a matter of fact, one of them was the important Swift patent here in suit.

With regard to patents on neutron logging after the expiration of Fearon, Petitioner never raised this issue on trial, and did not even attempt to prove that none of the patents then unexpired related to neutron logging. The fact, as is obvious from the patents themselves, is that a great many of them did.

Accordingly, we submit that, whether the matter be looked at from the standpoint of patents available for use in the equipment and operations of the licensees, or of patents actually used in their equipment and operations, or of patents relating to each particular type of logging, the "last of the patents" had not expired in the instant case.

**(b) In the instant case there was no "attempt" to "exact" royalties after expiration.**

In its decision in *Brulotte*, this Court found that the Thys contract was an attempt by that company to project its patent rights beyond their term. Mr. Justice Douglas termed such contract a "bald attempt to exact the same

terms and conditions for the period after the patents had expired." It is doubtless in view of this language that Petitioner makes the repeated assertion that WSI's license agreements were not drawn as field licenses for accounting convenience, but were "deliberately framed" or "intentionally designed" to "extend the spent monopolies of the Bender and Fearon patents into another term," and were arranged for this "express purpose."

There is no basis in the record for any of these assertions, which were rejected in substance by Finding 122 of the District Court. To summarize briefly the showing of the record:

(i) As early as 1953, WSI granted licenses under individual patents, with the royalty terminating when the patent expired, whenever the licensee requested such a license (page 12 above).

(ii) In 1954, as Mr. McCullough himself testified, WSI told him that: "They had numerous royalty license arrangements, such as immunity, research and service, and they could even doctor up one to fit our special needs if that was necessary" (page 13 above).

(iii) From the time the Bender patent expired in 1955, WSI omitted reference to the Bender patent in all new license agreements. It also voluntarily gave a royalty reduction to existing licensees (page 13 above).

(iv) Early in 1956, WSI, pursuant to resolutions of its Board, published in the Official Gazette of the U. S. Patent Office its offer to grant licenses under any one or more of its patents on reasonable terms, and wrote to all its existing licensees offering to allow them to terminate their existing agreements and take

licenses on reasonable terms under any or all WSI patents they desired (page 10 above).

(v) WSI repeated this offer many times in the ensuing years, and special license agreements—with narrower royalty base and royalty terminating as individual patents expired, if the licensee so requested—were entered into whenever a licensee preferred this alternative (page 13 above).

(vi) When the Fearon patent expired in 1960, WSI wrote letters to all its existing licensees, reiterating its willingness to renegotiate their licenses on a reasonable basis, when a patent expired or at any other time. (See, for example, R. 3044.)

(vii) We have already shown that, even after the expiration of Bender and Fearon, WSI (unlike the Thys Company) still had a large number of patents, used by licensees in all aspects of their logging operations, whose monopolies were not spent (pages 20 and 21 above).

(viii) Dr. Buck testified without contradiction that licenses were offered by WSI on a field basis for accounting convenience and because many licensees did not know exactly which patents they would want, but that no licensee had to take a license in this form (page 12 above).

The above facts demonstrate that there was no attempt by WSI to project the monopoly of any of its patents after their expiration. They confirm the conclusion that WSI's use as a royalty base of the licensee's total receipts from radioactivity well logging—except where the licensee preferred to base royalty on the coverage of particular patents, terminating when the patent expired—was a matter of

accounting convenience for both parties, and not, as Petitioner would have it, of sinister design. Within the meaning of *Brulotte*, it is clear that, in the present case, there was no "attempt" to "exact" royalties after expiration. The Court of Appeals expressly found this on reargument (App. 55a).

**(c) The instant case is governed by Automatic Radio v. Hazeltine.**

While, as above shown, the instant case does not fall within *Brulotte*, the lower courts correctly held that it falls under *Hazeltine*. The Court of Appeals stated in its opinion (App. 53a): "The facts in that case are almost identical with the facts in this case."

The holding of this Court in *Hazeltine* is well summarized in the following language, at 339 U. S. 834:

> "* * * We cannot say that payment of royalties according to an agreed percentage of the licensee's sales is unreasonable. Sound business judgment could indicate that such payment represents the most convenient method of fixing the business value of the privileges granted by the licensing agreement. We are not unmindful that convenience cannot justify an extension of the monopoly of the patents. * * * But as we have already indicated, there is in this royalty provision no inherent extension of the monopoly of the patent. Petitioner cannot complain because it must pay royalties whether it uses Hazeltine patents or not. What is acquired by the agreement into which it entered was the privilege to use any or all of the patents and developments as it desired to use them. If it chooses to use none of them, it has nevertheless contracted to pay for the privilege of using existing patents plus any developments resulting from respondent's continuous research. We hold

that in licensing the use of patents to one engaged in a related enterprise, it is not per se a misuse of patents to measure the consideration by a percentage of the licensee's sales.".

In his opinion in *Brulotte*, Mr. Justice Douglas distinguished *Hazeltine* as follows:

> "Automatic Radio Co. v. Hazeltine, 339 U. S. 827, is not in point. While some of the patents under that license apparently had expired, the royalties claimed were not for a period when all of them had expired. That license covered several hundred patents and the royalty was based on the licensee's sales, even when no patents were used. The Court held that the computation of royalty payments by that formula was a convenient and reasonable device."

Without laboring the point, each of the bases on which this Court in *Brulotte* distinguished *Hazeltine* is fully as applicable to the instant case.

Petitioner, however, asserts on page 23 that this case is "fundamentally distinguished" from *Hazeltine* by the alleged "fact" that WSI's licenses were "not adopted as a mere matter of business convenience" but were "deliberately framed to extend the spent monopolies of the Bender and Fearon patents into another term."

The short answer to this contention is that there is absolutely nothing in the record to support it. The facts from the record which fully answer it are set forth on pages 22 and 23 above. The record fully supports the finding of the District Court that licensees "were offered a real alternative by WSI's offer to grant a license under any individual patent or patents upon negotiated terms" (Finding 122, App. 109a). As long as WSI was willing to license individual patents on a negotiated reasonable basis, with royalty terminating as individual patents expire, it could not pos-

sibly have been guilty of a "deliberate effort" to extend any spent patent monopoly.

The uncontroverted showing of the record, as we have stated above, brings this case under *Hazeltine*. Like Hazeltine, WSI had a large number of patents, of which some would expire during the license term, leaving a great many unexpired patents available for use—and, at least in WSI's case, actually used in almost all aspects of the operations. Also like Hazeltine, in return for a percentage royalty on the licensee's total receipts, WSI gave the licensee the right to use any of the WSI patents it desired. As in *Hazeltine*, the arrangement was voluntary, and the record clearly shows that WSI was willing to license its patents on an individual basis whenever the licensee preferred to do so. Petitioner cannot distinguish the instant case from *Hazeltine*.

**(d) The decision below does not conflict with any other decisions of this Court, or of the lower Federal courts.**

Petitioner argues that the Court of Appeals decision conflicts with various other decisions—particularly with the decision of this Court in *Scott Paper Co. v. Marcalus*, 326 U. S. 249 (1945), and with the decision of the Third Circuit Court of Appeals in *American Securit Co. v. Shatterproof*, 268 F. 2d 769 (1959).

In the *Scott* case, this Court held that, when a patentee assigned his patent and was sued by his assignee for infringement, the fact that he had assigned the patent could not estop him from defending on the ground that the device he was manufacturing was a device shown in an expired patent and therefore within the public domain.

Scott was seeking absolutely to prohibit Marcalus from practicing the disclosure of an expired patent. Had

it succeeded, this would have deprived him of all opportunity to practice the invention.

These effects do not flow from the voluntary agreement of a licensor and a licensee to base royalties on the licensee's gross receipts, without attempting to exclude operations which are unpatented or on which the patents have expired. If the potential licensee wants to perform such operations without any payment, he can do so without taking any license of any kind. If he wants to take a license under other patents of the licensor which have not expired, and still perform such operations without any payment, he can request a royalty base which excludes such operations. Or if, as a matter of accounting convenience, he voluntarily agrees to make payment for his license under unexpired patents in the form of a royalty on his total sales, without separating out any operations uncovered by patents or on which the patent has expired, he may do so, and neither he nor the public is deprived of any right.

In the *Shatterproof* case, the patentee had consistently refused to fix a royalty for less than all of its patents. The principal holding of the Third Circuit Court of Appeals was that this was a refusal to license wanted patents unless the licensee would also take a license on unwanted patents, and was a misuse *per se*. However, Petitioner quotes on page 25 the following further paragraph of the court's opinion:

> "We conclude also, and quite apart from all of the foregoing the paragraph 8(a) of Securit's Standard Licensing Agreement which provides that the agreement shall continue 'in full force and effect to the expiration of the last to expire of any' of Securit's patents set out in 'Schedule A' constitutes a patent misuse for it extends the payment of royalties of patents under patents which may expire to the expira-

> tion date of that patent most recently granted to Securit. Indeed the expiration clause of the contract works an 'aggravating hardship' on licensees as Judge Leahy stated, in that it demands the renunciation of all patents, whether wanted or unwanted under the license."

The form of the expiration clause in WSI's Research Service agreement is similar to that quoted by the court. But, so far as the issue of royalty on an expired patent is concerned, both are indistinguishable from the expiration clause in the Hazeltine license. While the Hazeltine license extended for only ten years, the record showed that at least half the patents would expire before that period, so that it equally involved the payment of royalties on a broad royalty base including operations covered by expired patents. There is, however, one critical fact that, as held by the Court of Appeals in the instant case, distinguishes both *Hazeltine* and the instant case from *Shatterproof* on the issue of royalty on an expired patent. While in *Shatterproof* no other license was available, and the licensee, if he did not want the whole package, could get no license at all, in *Hazeltine* this Court regarded the package license as truly voluntary. Likewise, in the instant case all licensees were given the alternative of a package license or a license on reasonable terms under individual patents. In *Shatterproof,* the later payment of royalties on expired patents was coerced at the inception of the license. This was not true in *Hazeltine,* and is not true in the instant case.

That this critical fact was in the mind of the Third Circuit Court when it wrote the paragraph above quoted, is clearly shown by the last sentence of the quotation, in which the court notes the fact that, if the licensee tried to get out of the arrangement by cancelling the license, it would mean "the renunciation of all patents, whether wanted or unwanted under the license." This manifestly

refers to the licensor's unwillingness to license on any other basis than the package including expired patents—a fact not present in *Hazeltine* or in the instant case.

*Shatterproof* was properly distinguished on this basis by the Court of Appeals in the instant case, and by District Courts in *Carter Products v. Colgate-Palmolive Co.*, 164 F. Supp. 503 (D. C. Md., 1958) and in *Eversharp, Inc. v. Fisher*, 204 F. Supp. 649 (N. D. Ill., E. D., 1961). The same distinction also applies to *Technograph v. Bendix Aviation Corp.*, 218 F. Supp. 1 (D. C. Md., 1963), cited by Petitioner.

**(e) The decision below is correct in principle.**

When 50 or 100 closely related patents are being licensed, it is often burdensome for the parties, when trying to calculate royalty or verify royalty payments, to have to ascertain which, if any, of the patents have been employed in each of the licensee's operations. This difficulty is frequently avoided by the parties agreeing voluntarily to a royalty rate applicable to the licensee's total receipts from operations in the general field, in return for which the licensee is authorized to use any of the patents he wishes.

It is true that in many businesses "total receipts" include—as they did in *Hazeltine*—some operations which are unpatented, or on which patents have expired.* However, it should not be illegal for a licensor and licensee to agree as a matter of mutual convenience to base royalties on the licensee's total receipts from the field, as long as the "last of the patents" has not expired, and the broad base is adopted by voluntary agreement of the parties.

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* As we have pointed out, the record here does not show that the royalty base in the instant case included any significant operations on which all the patents had expired.

It is probably essential to legality that the patentee be willing, if a licensee so requests, to license individual patents for a negotiated royalty, terminating when the particular patent expires—as WSI was willing to do in the instant case.

This is what the Court of Appeals, following *Hazeltine*, held in the instant case, and we believe the decision is sound.

**(f) The decision below is consistent with the rule that each patent must stand on its own footing.**

Petitioner argues on page 29 that the decision below is in conflict with the rule of *U. S. v. Loews, Inc.*, 371 U. S. 38 (1962) and other cases that each patent and copyright must "stand on its own footing" and not on the "appeal which another * * * may have." In an effort to establish such conflict, Petitioner makes the following amazing assertion:

> "Even after these monopolies expired, respondent's package licensees, to obtain rights under the unexpired Swift patent, were obliged to accept the obligation to pay royalties on all operations within the 'radioactivity well surveying' field and hence under the spent Bender and Fearon monopolies."

This assertion has no support in the record and is entirely untrue. The fact is that any concern which wanted to obtain rights under the Swift patent and pay royalty on a narrow base could do so by taking advantage of the "real alternative" offered by "WSI's offer to grant a license under any individual patent or patents upon negotiated terms" (Finding 122, App. 109a). Dr. Buck, WSI's Vice-President and Technical Director, specifically testified that he knew of no instance in which a request to pay royalty on a narrower base was refused (R. 513).

If we were to go outside the record, as Petitioner does on page 41, we could point out that since 1960 WSI has indeed granted many licenses under Swift only, with royalty calculated on the basis of Swift only and terminating on expiration.

There is no conflict between the decisions below and the rule of *Loews*.

### (g) Conclusion as to Petitioner's Question 1.

When we get to the essence of Petitioner's first question, it is evident that what Petitioner is seeking is a reconsideration of *Hazeltine*. We believe that *Hazeltine* is sound law, and that its boundaries were established with reasonable clarity by this Court in its recent decision in *Brulotte*. The instant case falls well within the rule of *Hazeltine*, and clearly outside *Brulotte* and all other pertinent decisions, and we believe it was rightly decided. We submit there is no reason why this Court should grant certiorari to consider Petitioner's first question.

## 2. THE RECORD CLEARLY SUPPORTS THE HOLDING OF THE LOWER COURTS THAT WSI HAD PURGED ANY PATENT MISUSE BY JUNE 1, 1956.

Petitioner argues, under its second question, that the finding of the lower courts that WSI had purged the preexisting patent misuse by June 1, 1956, is in conflict with the decision of this Court in *B. B. Chemical Co. v. Ellis*, 314 U. S. 495 (1942), and with the decision of the Sixth Circuit in *Preformed Line Products Co. v. Fanner*, 328 F. 2d 265 (1964).

In *B. B. Chemical*, this Court held that a patentee could not purge misuse by merely offering in this Court during the appeal to grant licenses to others, but that it was necessary that he show that he had actually abandoned

his illegal practices and that any consequences of such practices had been fully dissipated. In *Fanner*, the Sixth Circuit *affirmed* a judgment finding purgation on the authority of *B. B. Chemical*, adding at page 279:

> "These issues present questions of fact. * * * Whether a purge had been effected under the facts of a given case is largely discretionary with the trial court."

The decision of the lower courts herein is entirely consistent with *B. B. Chemical* and *Fanner*. What is required to dissipate the consequences of a particular patent misuse obviously depends on the particular facts. Here the District Court found that WSI between 1951 and 1956 had misused its patents in two respects. One was that the language of the 1951 agreement with Lane-Wells had precluded it from granting licenses to others except in the two approved forms, without Lane-Wells' consent—this even though the record showed that Lane-Wells had consented to several special licenses and had never refused its consent. The District Court held—and we do not see how it could have held otherwise—that this misuse was purged, and its consequences dissipated, by the termination of the agreement requiring Lane-Wells consent, by the adoption by WSI of its new policy of licensing all comers on a reasonable basis under any or all of its patents, and by its offers to all existing licensees to terminate their license agreements to permit the negotiations of new agreements under reasonable terms.

The second misuse found by the District Court was that the 1951 agreement did not expressly give Research Service licensees a license under WSI patents to make their own instruments or have them made by others. The District Court held that WSI had purged this misuse prior to June 1, 1956 by amending its Research Service agree-

ments to permit the licensee to manufacture instruments or procure them elsewhere, and by its tender of such amendments to all existing licensees. Again, we do not see how the District Court could have held otherwise, particularly in view of the fact that the record clearly showed, and the District Court also found, that by June 1, 1956, WSI was no longer dominant in the market for the sales of instruments and apparatus for radioactivity well logging (Finding 117, App. 107a)—so that it was perfectly practicable for a licensee to procure instruments elsewhere if it did not wish to purchase them from WSI, or to manufacture them itself as did many other companies, large and small.

While Petitioner argues that the effects of misuse were not dissipated because two of the research service licensees did not accept the amendments before June 1, 1956, the fact as previously shown is that the offer was made in good faith prior to that date, and that WSI at all times kept the offer open and, before the end of the year, wrote each of these licensees a letter unilaterally confirming their right to make the instruments or to acquire them from any outside source (see page 15 above and R. 3075, 3095).

We submit that the District Court correctly held that WSI had completed its purge by June 1, 1956 (Finding 119, Conclusions 24, 25, App. 108a, 117a) and that there was no misuse after that date, and that the Court of Appeals correctly held that McCullough's attack on the finding of purgation "is not borne out by the record" (App. 50a).

We further submit that there is no reason why this Court should take jurisdiction to review the concurrent finding of the two lower courts on the issue of purgation, which the applicable decisions have held to be an issue of fact.

**3. THE CONCURRENT DECISIONS BELOW THAT THE SWIFT PATENT IS INFRINGED ARE CLEARLY RIGHT, AND ARE NOT IN CONFLICT WITH 35 U. S. C. 112 OR ANY DECISION OF THIS COURT.**

Both the Trial Court and the Court of Appeals found that Petitioner's well logging apparatus is structurally and functionally substantially the same as that shown in the Swift patent, that each and every element of each of the Swift claims is employed in Petitioner's apparatus in the same way as disclosed by Swift to achieve the same result, and that there is direct and literal infringement of the Swift patent. (App. 37a-39a; 88a-89a.)

Petitioner here, for the first time, attacks these findings of infringement on the ground that Petitioner's infringing apparatus contains an ingredient allegedly "not known" at the time of the Swift patent. In order to induce this Court to review the concurrent findings below, Petitioner, in complete disregard of said findings, has fashioned a purely abstract question not based upon any issue in this case, as follows:

> "3. Does the third paragraph of 35 U. S. C. 112 change the pre-existing law by expanding the scope of equivalents of an ingredient of a claim for a combination of old elements to include ingredients not known at the date of the patent but actually invented thereafter?"

As a presumed answer to this spurious question, Petitioner quotes from the case of *Gill v. Wells* to the effect that if a defendant substitutes into a plaintiff's patented combination of old elements an equivalent which was "not known at the date of the patent as a proper substitute for the omitted ingredient," there is no infringement. On the assumption that this was the law at the time of the 1952 Patent Act, Petitioner then proceeds to argue that the

decisions of the lower courts in this case were in error, because Petitioner substituted into the patented Swift combination an ingredient not known at the date of the Swift patent. This argument has no basis in fact.

The alleged rule of "known equivalents" as set forth in *Gill v. Wells* and Petitioner's Question 3, clearly states that the substituted equivalent must be known "at the date of plaintiff's patent." Hence, Petitioner's Question and argument in support thereof are both irrelevant, since the date of the Swift patent is May 29, 1951, whereas Petitioner's infringing apparatus was in commercial use in 1950 (F. 14, 61; App. 69a, 88a), and was therefore "known" prior to the date of the Swift patent. Clearly then, the question as stated does not fit the facts.

Recognizing that the facts do not support its Question 3 as stated, Petitioner by implication re-states the question in modified form by reference on page 36 of its petition to the *date* of the Swift *application*. By so doing, Petitioner, of course, puts itself completely outside the alleged rule of *Gill v. Wells* which is predicated upon the *date of the patent*.

While we are uncertain as to the purpose of this tactic, it is immaterial to the question at hand, since the allegedly new ingredient in the logging tool of Petitioner was the inclusion therein of a known scintillation counter radiation detector for the radiation detector disclosed in the Swift patent. Findings 19 and 38 (App. 72a, 79a) and the Appellate Court decision (App. 32a) clearly set forth the equivalency of scintillation counters, Geiger counters and ionization chambers as radiation detectors for radioactivity well logging, and Finding 30 (App. 76a) establishes that this equivalency was well known at least as early as 1938, long prior to the 1946 filing date of the Swift application.

Thus, Petitioner's question, even as modified, fails to fit the facts of this case.

The issue of "known equivalents" was never raised by Petitioner in either the Trial Court or the Appellate Court as to the Swift patent, and hence is improperly raised for the first time in this Court. The issue *was* raised in the Trial Court as to the Bender and Fearon patents, and was disposed of in Finding 30 (App. 76a) as follows:

> "30. Prior to the date of the original Bender patent No. 2,133,776 (October 18, 1938), scintillation counters were known to be the equivalent of Geiger counters as radiation detectors for the detection of gamma rays by converting incident gamma rays into corresponding electric signals, which can then be measured as an indication of gamma ray intensity * * *."

The issue was not pursued in the Court of Appeals and hence stands abandoned, even as to the Bender and Fearon patents.

While the foregoing disposes of the issue *as stated* (and as modified), in view of the fact that Petitioner speaks interchangeably in terms of "ingredients," "elements," and "tool," Petitioner apparently contends that since Pringle obtained a patent for his alleged improvement of a part of the Swift tool, Petitioner should escape infringement. Such a contention, of course, clearly violates the basic patent laws as they have always been, and as they were so well stated by this Court in *Temco v. Apco,* 275 U. S. 319, 328 (1928), as follows:

> "It is well established that an improver cannot appropriate the basic patent of another and that the improver without a license is an infringer and may be sued as such. *Cochrane v. Deener,* 94 U. S. 780, 787 * * *."

In the *Temco* case, as here, the infringing defendant sought to escape liability on the theory that he himself had a patent on what he claimed to be an improved version of plaintiff's device. This, of course, was not then the law, nor is it now the law.

We submit that certiorari should be denied as to Petitioner's Question 3, since the question is purely abstract and fanciful, is not supported by any of the facts in this case, and was never raised by Petitioner in either of the courts below as to the Swift patent.

**4. IN SUSTAINING THE VALIDITY OF THE SWIFT PATENT, THE COURTS BELOW APPLIED THE PROPER STANDARD OF INVENTION AS DEFINED BY THE DECISIONS OF THIS COURT.**

Here again we find the Petitioner fashioning an abstract question which has no foundation in the record of this case. With a complete disregard of the facts, Petitioner poses its final question to this Court as follows:

> "4. Does the constitutional standard of invention permit a construction of 35 U. S. C. 103 which would impart patentability to claims for a combination of old elements where the whole does not in some way exceed the sum of its parts?"

This question infers, and Petitioner's Point 4 argues, that both the Trial Court and the Court of Appeals in this case ignored the Constitution and the mandates of this Court, in finding that the Swift patent is *not* a mere aggregation of an old casing collar locator and an old surveying tool as Petitioner asserts, but is in fact a true *combination* of active structural and electrical elements, which produces a new and useful result of great value to the well logging industry. (F. 57; App. 86a; App. 17a.)

On pages 40 and 41 of the Petition, we are told that the courts of the various circuits have aligned themselves into opposing groups, one of which follows the mandates of this Court and the other of which *disregards* the mandates of this Court. In an attempt to support their bald assertion that the Tenth Circuit Court of Appeals "has now placed itself in this latter category," Petitioner quotes the second half only of a paragraph from the Court of Appeals' decision appearing on page 16a of the Appendix, which, we assume, is supposed to show that the Tenth Circuit has renounced the *A & P* case and similar decisions of this Court. However, Petitioner conveniently omits the first portion of the quoted paragraph of said decision, which reads as follows:

> "It is universally held that a mere aggregation of a number of old parts or elements which in the aggregation perform or produce no new or different function or operation than previously performed or produced by them is not a patentable invention. *Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.*, 340 U. S. 147 * * *."

Hence, far from renouncing the *A&P* case, the Court of Appeals in this instance has specifically adopted the rule as contended for by Petitioner. Further, Petitioner ignores the next paragraph of said decision on page 17a of the Appendix, where the court said:

> "We think the Swift patent is a combination, rather than an aggregation, of old elements. The record sustains the trial court's factual determination that Swift is a new combination of old elements that produces a new and useful result and was not obvious to one skilled in the art. The log produced by the Swift method and apparatus is not only different from, and more accurate than, a radiation log, but it also utilizes a casing collar to record depth measurements

simultaneously with the recording of radiation formation signals. This is a result that no prior invention had ever reached."

The foregoing statement by the Court of Appeals is fully supported by the findings of the Trial Court appearing at pages 85a to 90a of the Appendix, and those findings are fully supported by the evidence. Thus, irrespective of whether or not 35 U. S. C. 103 modifies the rule of the *A&P* case, it is evident that under the facts of the present case, the Swift patent is valid.

The Petitioner cites no finding as clearly erroneous, yet in order to find the Swift patent invalid, this Court would have to review the voluminous evidence in this case and set aside the concurrent finding of the Courts below. We submit that such a review of purely factual issues would be improper under the rules and decisions of this Court. As said in *Williams Manufacturing Co. v. United Shoe Machinery Corp.*, 316 U. S. 364, at 367:

"* * * These findings are to the effect that the new combinations, while they involve old mechanical construction, combine these in a new way so as to produce an improved result. These are findings of fact, despite the petitioners' apparent contention to the contrary, and we will not disturb such concurrent findings where, as here, there is evidence to support them. The claim that the combinations are merely of old elements, which perform no new function and produce no new result, must be overruled."

We submit that this Court should decline to grant certiorari as to Petitioner's Question 4, since the findings of the Trial Court and the decision of the Appellate Court clearly demonstrate that these courts carefully and painstakingly considered all of the evidence in this case, applied the correct standards of invention to said evidence,

and correctly decided that the Swift patent does in fact claim a patentable combination in which the whole exceeds the sum of its parts.

## CONCLUSION.

For the foregoing reasons, it is respectfully submitted that this petition for a writ of certiorari should be denied.

Respectfully submitted,

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## ANNEX A.

**Excerpt from testimony of Dr. John F. Buck as to WSI patents on natural gamma ray logging remaining unexpired after Bender.**

Dr. Buck testified as follows on direct examination (R. 511):

"Q. After the Bender reissue expired in October, 1955, Well Surveys had no patent on gamma ray logging as such, did it?

"A. Not on gamma ray itself as such, but on some of the equipment used in gamma ray logging it did.

"Q. Now—

"The Court: Do you mean on natural gamma ray?

"The Witness: Natural gamma ray.

"Mr. Day: Natural gamma ray, that's right, Your Honor.

"Q. (By Mr. Day) Did Well Surveys have some patents you say on methods or equipment that would normally be used in gamma ray logging?

"A. Certainly, that were normally being used by their licensees, they did.

"Q. What were some of those?

"A. The ionization chamber method, for example, those licensees who were still using the ionization chamber—and most of them were at that time. There were probably a half a dozen patents on the ionization chamber equipment. I have already mentioned some of them such as the form of the ionization chamber, the mounting, the insulation, the methods of balancing it out, methods of running power down to the chamber, methods of running two chambers simultaneously, and that sort of thing.

"Q. Supposing a licensee was not using an ionization chamber but a Geiger counter, or a scintillation chamber to do this natural gamma ray logging, would any of the patents normally be used in those operations?

"A. Well, normally if you are running in casing you would be running a casing collar locator and we had a patent on the casing collar locator, that would cover if they were running gamma rays with the casing collar locator. I believe all of our licensees were also using a patent on recorders—or not on recorders, but on the type of recorder pen that we use, which allowed the logs to be run simultaneously, as the pens would pass over each other, so they could be adjusted easily in the field, and so on. We had a patent on that. I think all of the licensees were using those particular patents—that were using those, whether they were running gamma rays, or whatever—

"Q. Were any of the Schlumberger patents under which you had licensing rights that a licensee would normally use if he were doing natural gamma ray logging?

"A. I believe there is a Schlumberger patent that covers the putting of power down the cable and the resulting signal, by the same cable, which was always being used by our licensees. I believe that is a Schlumberger patent. That is one I can think of, off hand. In the scintillation counter equipment—gamma ray equipment—I believe there is a Schlumberger patent, but that covers the use of the temperature* controlling method, use of vacuum glass, or something like that. There were other Schlumberger patents but I don't think of any offhand.

"Q. You mentioned, used by licensees of certain of these patents; would other companies in the business, other than your licensees, normally be using casing collar locators?

"A. Normally, yes, sir.

"Q. And would they normally use, or might they use this signal down the conductor cable that you have referred to?

---

* The word "chamber" appearing in the transcript is an error.

"A. Yes, they normally would; most of them used surface power."

Dr. Buck gave the same testimony on cross examination (R. 516). There is nothing in the record in any way contradicting his testimony.

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IN THE

# Supreme Court of the United States

OCTOBER TERM, 1965

## No. 366

McCULLOUGH TOOL COMPANY, ET AL.,
*Petitioner*

v.

WELL SURVEYS, INCORPORATED, ET AL.,
*Respondent*

## REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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IN THE

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## REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

### I. INTRODUCTION

This Court this term is asked to depart from precedent consistently followed for a century and a half to render a series of opinions which would facilitate the acquisition and enforcement of trivial patents.[1]

First, it is urged that Congress, by the enactment of 35 U.S.C. 103, intended to lower the standard of invention. Second, it is insisted that the question of "obviousness" under the statute is a question of fact subject to Rule 52(a) and hence free from appellate review in the absence of clear error. Finally, and somewhat inconsistently, it is urged that the "fact" question of obviousness is to be determined in light of post-invention commercial success rather than the state of the art "at the time the invention was

[1] Specifically, in five *amicus* briefs and the brief of the petitioner in No. 11 and the briefs of the respondents in Nos. 37, 43 and 55.

made" as the statute and the antecedent case law expressly require.

Individually, and particularly in combination, these premises, if accepted by the Court, would subvert the Constitution by conferring the patent monopoly for the first time on the product of the routineer.

This case affords an opportunity to extend the guidelines to be enunciated for determination of the validity of combination claims[2] to the field of infringement where the need is at least as great.

It presents for review a decision, in conflict with controlling decisions here and with the apposite decisions in the lower courts, sustaining the most widely used legal device for the extension of patent monopolies to unpatented subject matter. It affords an opportunity to rehabilitate the misuse doctrine by a reaffirmation of the essential prerequisites to an effective purge which have suffered serious attrition in the lower federal courts — and to resolve the conflict of decision on this important issue.

## II. THE MISUSE QUESTION 1

Respondent's difficulty is not with record support for Question 1 (R. Br. 2) but, rather, with the illegality of its package field licenses which the question exposes.[3] There

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[2] In Nos. 11, 37, 43 and 55.

[3] Respondent's assertion that "Question 1 as stated by Petitioner is not presented by the record" (R. Br. 2) is hard to understand. Question 1 is expressly referenced by its footnote 1 to the decision of the court below. That opinion, paraphrasing Findings 122 (App. 109a) and 127 (App. 110a) of the trial court states:

> ". . . The record . . . shows that the royalty base in many, if not all, of the license agreements includes operations covered by patents that expired after the agreements were entered into by the parties" (App. 51a-52a, Pet. 2).

In an effort to blunt the force of the question, Respondent now insists that what the lower courts *really* meant was that "the royalty

is intrinsic evidence in the record that Respondent's field licenses were deliberately framed to project the spent Bender and Fearon monopolies into the post-expiration period (Section II-A, *infra*, p. 8). The decision below is wrong in principle (Section II-B, *infra*, p. 12) and it is in conflict with the apposite decisions of this Court and the lower federal courts (*infra*, pp. 7, 8).

Package field licenses of the type utilized by Respondent represent the most widely used surviving legal device for extension of patent monopolies to unpatented subject matter. As the decision below demonstrates, this illegal licensing practice survives as a consequence of the reluctance of the lower federal courts to apply the rule that " 'whatever the legal device employed' (Scott Paper Co. v. Marcalus Co., . . . 326 US 256, 90 L ed 51) a projection of the patent monopoly after the patent expires is not enforceable. . . ."[4]

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base . . . of the license agreements includes operations covered by patents that expired after the agreements were entered into by the parties . . ." *but also covered by one or more of the alleged improvement patents which have not expired.*

Neither court below made any such finding. There is no credible evidence on which such a finding could be based — including the speculative, self-serving, hearsay, opinion testimony of Dr. Buck, its "Vice President and Technical Director" (R. Br. Annex A 41) dredged up by Respondent.

[4] Respondent, attempting to distinguish *Scott Paper Co.*, argues for a restricted interpretation of the rule in that case. In essence, Respondent contends that the guarantee to the public of the free use of the disclosure of an expired patent does not mean "free" from a financial standpoint and does not prohibit the exaction of post-expiration royalties. Every court specificially passing on the point, with the exception of the lower court in *Brulotte* and the lower court in this case, has recognized the obvious fact that a patentee does indeed "recapture a part of the expired monopoly" by the exaction of royalties in the post-expiration period. *Ar-Tik Systems, Inc. v. Dairy Queen, Inc.*, 302 F. 2d 496 (3 Cir. 1962) and *Technograph Printed Circuits v. Bendix Aviation Corp.*, 218 F. Supp. 1 (D. Md. 1963), *aff'd per curiam* 327 F. 2d 497 (4 Cir. 1964). Respondent's assertion that

> ". . . if, as a matter of accounting convenience, he [a potential licensee] voluntarily agrees to make payment for his license

and its necessary corollary that "a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful per se" since "the free market visualized for the post-expiration period would be subject to monopoly influences that have no proper place there." *Brulotte v. Thys Co.*, 379 U.S. 29, 13 L. Ed. 2d 99, 102, 85 S. Ct. 176 (1964).[5]

Both courts below expressly refused to apply the principles of *Scott Paper* and *Brulotte* and, like the lower court in *Brulotte*, relied instead upon the inapposite decision in *Automatic Radio Mfg. Co. v. Hazeltine Research*, 339 U.S. 827, 94 L. Ed. 1312, 70 S. Ct. 894 (1950), to sustain, on the ground of business convenience, Respondent's field license agreements which admittedly exact royalties for all "radioactivity well logging operations, including those covered by the expired Bender and Fearon neutron patents, . . ." (F. F. 127, App. 110a).

In so holding, the court ignored the admonition of *Brulotte* that

> "The petition for certiorari [in Automatic Radio] did not in the questions presented raise the question of the

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under unexpired patents in the form of a royalty on his total sales, without separating out any operations uncovered by patents or on which the patent has expired, he may do so, and neither he nor the public is deprived of any right" (R. Br. 27)

is in the teeth of the holding in *Scott Paper* that the rights in the invention of an expired patent are "no longer subject to private barter, sale or waiver" because it is the aim of the patent laws that the consuming public "shall receive the benefits of the unrestricted exploitation, *by others,*" of the dedicated subject matter. Respondent cannot distinguish *Scott Paper* and cannot effectively deny the conflict between the decision below and the rule announced in *Scott Paper* and reaffirmed in *Brulotte*.

[5] The projection of the Bender and Fearon patents into the post-expiration period which was the intended consequence of Respondent's field licensing plan is graphically demonstrated by the fold-out Appendix A.

> effect of the expiration of any of the patents on the royalty agreement. . . ." (13 L. Ed. 2d 102, note 5)

— and it ignored the refusal of this Court in *Brulotte* "to extend" *Automatic Radio* "so as to project the patent monopoly beyond the 17-year period."

The decision below is particularly objectionable because it accepts the premise, rejected by this Court in *Brulotte*, that private parties may *voluntarily* agree to a licensing arrangement which extends the royalty for the patented invention into the post-expiration period.[6]

This approach plainly makes "the inventor's reward the prime rather than an incidental object of the patent system". *United States v. Line Material Co.*, 333 U.S. 287, 318, 92 L. Ed. 701, 723, 68 S. Ct. 550 (1948) (concurring opinion). It is incompatible with the principles, announced by this Court in many other cases, that the rights granted by a patent must be confined "strictly to the terms of the statutory grant" (*United States v. Univis Lens Co.*, 316 U.S. 241, 251, 86 L. Ed. 1408, 1419, 62 S. Ct. 1088 (1942)); that the patent monopoly may not be enlarged merely because "it would be more convenient to the patentee to have it so, or because he cannot avail himself of its benefits within the

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[6] Note the emphasis on the "voluntary" nature of Respondent's licenses in the opinion below both in its statement of the question for decision (App. 53a, R. Br. 2) and elsewhere, *e.g.*, App. 55a.

In *Brulotte*, Respondent Thys unconvincingly argued at page 31 of its brief that the license agreements there in suit were legal because "there was . . . *no coercion nor unlawful mandatory package license*" (emphasis by Respondent Thys).* As the decision in *Brulotte* recognizes, the illegal extension of the statutory monopoly to unpatented articles by any post-expiration royalty agreement is in no way dependent upon the question of coercion. In such cases *per se* illegality is a consequence of the fact that upon the expiration of the patent the "monopoly ceases to exist".

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* [Unless otherwise indicated, all emphasis herein is supplied.]

limits of the grant" (*B. B. Chemical Co. v. Ellis*, 314 U.S. 495, 498, 86 L. Ed. 367, 370, 62 S. Ct. 406 (1942)).

Respondent seeks to compromise the *per se* illegality of its post-expiration royalties on the strength of the statement in *Brulotte* that ". . . after expiration of the *last* of the patents incorporated in the machines, the grant of patent monopoly was spent, . . ." (R. Br. 19). Respondent argues that in the present case some 70 or 75 patents in the radioactivity well logging field were "still unexpired" (R. Br. 19).

As shown in Appendix A, the package field licenses of the type used by Respondent *necessarily* have the effect of projecting the monopolies of the expired patents. In the greatly predominant portion of Respondent's "royalty base", "*the last* of the patents" *had* expired. The unexpired patents provide the leverage by which the continuation of toll for the expired monopolies is extracted. Indeed, it is conventional practice in such field licenses to require payment of the fixed royalty throughout the much longer *license term* which is substituted for the 17-year statutory limit of the licensed monopolies.

Such post-expiration royalty agreements are always justified by inclusion in the package of some form of "consideration" which survives the expiration of the basic patents licensed and exists in perpetuity. Thus, such licenses normally include as a part of the recited consideration for the royalty payment not only issued patents but also pending and even prospectively pending patent applications, alleged trademark rights and alleged know-how. The illegality inherent in such arrangements which effectively substitutes the term of a private contract for the 17-year patent term specified by 35 U.S.C. 154 to extend royalty income in perpetuity was recognized in *United States v. Na-*

*tional Lead Co.*, 63 F. Supp. 513, 524 (S.D. N.Y. 1945), *aff'd*, 332 U.S. 310, 91 L. Ed. 2077, 67 S. Ct. 1634 (1947) (cited and quoted Pet. 28).

The court below construed *Brulotte* to condone just such an arrangement.

Question 1 clearly involves principles, the settlement of which is of importance to the public as distinguished from the parties. The *entire* radioactivity well logging industry, with the exception of Petitioner, has accepted Respondent's licensing arrangements. As Respondent acknowledges, such licensing arrangements are "a very common practice. . . . Licenses of this type are particularly common in industries involving a high level of research and development, such as the electronics, chemical, petroleum and radio industries, . . ." (Pet. 20).

The legality of these widely used licensing arrangements turns upon the proper application of the apposite decisions of this Court including *Scott Paper*, *Brulotte*, and *Automatic Radio*. The lower courts are presently in direct conflict on the basic issues involved. The decision of the Tenth Circuit in this case conflicts directly with the decision of the Third Circuit in *American Securit Co. v. Shatterproof Glass Corp.*, 268 F. 2d 769 (1959) and with the decision of the U.S. District Court for the District of Maryland in *Technograph Printed Circuits v. Bendix Aviation Corp.*, 218 F. Supp. 1 (1963), *aff'd per curiam on other grounds* 327 F. 2d 497 (4 Cir. 1964)[7] (Pet. 24-29).

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[7] As stated in the Petition:

"In this case, the Tenth Circuit has expressly condoned respondent's package 'filed' licenses pursuant to which it *still* collects royalties on the 'pioneer' Bender patent which expired in 1955 and on the Fearon patent which expired in 1960.

"The Third Circuit, in *American Securit*, held a package 'field' license of the same type illegal for the very reason that it extended for the life of the agreement the payment of

Petitioner again urges that

> "Review should be granted to dispel *at this time* any residual argument that *Automatic Radio* in any way compromises the paramount public right to the free use by all of the subject matter of a spent patent monopoly.
>
> "It should be made clear *now* that the particular facts of *Brulotte* afford no basis for avoiding its fundamental ruling which condemns, as *per se* illegal, *all* efforts to project expired patents into another term, *whatever* the legal devices employed." (Pet. 24).

### A. Respondent's Field Licenses Are Deliberate Post-Expiration Royalty Agreements — Automatic Radio v. Hazeltine Is Not In Point

Both courts below ignored the intrinsic evidence by which this case is distinguished from *Automatic Radio* and

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royalties on patents which had expired during the contract term" (Pet. 26-27).

Respondent, in its brief in opposition, does not deny the conflict in decision on this fundamental point. Rather, Respondent seeks to obscure the conflict by a semantic argument based on an interpretation of that portion of the *American Securit* opinion relating to the termination clause of the Shatterproof license. It is self-evident from an examination of the opinion in *American Securit* that the termination clause was not the controlling factor in the decision. Moreover, the Respondent's purported distinction even with respect to the termination clause lacks substance. The reference in the *American Securit* decision to the fact that the termination clause works an " 'aggravating hardship' on the licensee . . . in that it demands the renunciation of all patents, whether wanted or unwanted under the license" obviously refers, in point of time, to the date of termination of the agreement — and not to the inducement of the contract as Respondent asserts. The licensee in *American Securit*, like Respondent's licensees (see Section B, *infra*, p. 12), could *not* cancel as to the expired patents *only* on the date of expiration, and hence was *obligated* to continue to pay royalties on the spent monopolies for the full term of the license agreement to retain the right to use the inventions of the unexpired patents. Such a provision, albeit condoned below, is obviously illegal as the Third Circuit recognized.

which demonstrates "that respondent's licenses were *not* adopted as a mere matter of business convenience — but instead were *deliberately* framed to extend the spent monopolies of the Bender and Fearon patents into another term" (Pet. 23).

The Respondent's practices here relevant are typified by the license agreement with Lane-Wells, dated June 1, 1956,[8] the date of the alleged purge. Pursuant to this representative agreement, a copy of which is reproduced as Appendix B, royalty is paid "on each well surveyed under this *license*" (Par. 5.02). The *"license"*, in turn, is granted broadly "to practice Radioactivity Well Surveying for hire" (Par. 2.01). These two provisions thus expressly require royalty payments on any activity which falls within the licensed field of "Radioactivity Well Surveying". This *field*, in turn, is defined in paragraph 2.01 in terms sufficiently broad to cover operations effected *only* under the Bender patent which expired in 1955 before the agreement was consummated and also *only* under the Fearon patent which would expire on January 12, 1960.[9] Paragraph 6.04 precludes termination of the agreement by Lane-Wells, the licensee, until "the fifth anniversary of the date hereof" — in other words, until June 1, 1961, some 18 months *after* the Fearon expiration date. Even on the "fifth anniversary" the licensee Lane-Wells was required to cancel as to "all patents, whether wanted or unwanted under the license". In other words to continue a license under the unexpired "important *Swift* patent" (R. Br. 21) Lane-Wells was *obligated* to

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[8] Ex. 501, First Book of Contracts, Agreement No. 11.

[9] This, of course, is the basis for Findings of Fact 122 (App. 109a) and 127 (App. 110a) summarized in the acknowledgment by the court below that "The record also shows that the royalty base in many, if not all, of the license agreements includes operations covered by patents that expired after the agreements were entered into by the parties" (App. 51a-52a).

continue to pay royalty on *all* operations within "Radioactivity Well Surveying" and hence under the spent Bender and Fearon monopolies.[10] "Respondent's royalty reward is not determined by the quality of each of its patents individually. Respondent has fashioned a fagot of expired and unexpired patents in which each patent strengthens its monopoly by drawing on another" (Pet. 29). Such an arrangement is in conflict with the rule announced in *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 92 L. Ed. 1260, 68 S. Ct. 915 (1948) and reaffirmed verbatim in *United States v. Loew's, Inc.*, 371 U.S. 38, 9 L. Ed. 2d 11, 83 S. Ct. 97 (1962), that each patent "must stand on its own footing and not in whole or in part on the appeal of another" (Pet. 29).

This objectionable combination of provisions, *i.e.*, a broad field definition covering all radioactivity well logging operations coupled with a five-year minimum term during which the licensee could not cancel but during which important patents would expire, had its origin in the "Research and Service" and "Immunity" agreement forms specified for third parties in the illegal April 16, 1951 agreement between Respondent and Lane-Wells (Pet. 12).[11]

The same objectionable combination of provisions typified Respondent's licenses issued long after the alleged purge date. For example, the definition of "Radioactivity Well Surveying" which appears in the June 1, 1956 Lane-Wells license is, in terms, identical, *inter alia*, with the same definition of the same expression in the June 27, 1951 Welex

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[10] Compare the characterization of just such an expiration clause as an "aggravating hardship" by the Third Circuit in *American Securit, supra.* Respondent acknowledges that "The form of the expiration clause in WSI's Research Service agreement is similar to that quoted by the court" in *American Securit* (R. Br. 28).

[11] Ex. 501, First Book of Contracts, Agreement No. 9, Exhibits A and B.

license, the October 17, 1957 Huskey Guns license, and the November 1, 1958 Great Lakes Petroleum Services "Immunity" agreement. All of these agreements included a minimum term of five years.[12] All of the agreements exact royalties for one patent (Bender) already expired when they were consummated and for another patent (Fearon) certain to expire before the minimum five-year license term elapsed.

The necessary and obviously intended effect of Respondent's use from 1951 at least until 1958 of license agreements including the *identical* "field" or royalty base, broadly defined without regard to the limits of the patent claims to cover all "Radioactivity Well Logging Operations" was to extend into the post-expiration period the royalty income from the patents which would expire, including the basic Bender patent and the Fearon patent.

The conclusion that just such a result was the *very* thing *intended* becomes inescapable in light of Respondent's consistent policy during the same period of specifying a minimum four or five year term during which the licensee could *not* cancel or reduce its royalty payment notwithstanding the expiration of some of the licensed patents including Bender and Fearon.

As in *Brulotte,* Respondent's "licenses draw no line between the term of the patent and the post-expiration period. The same provisions as respects both use and royalties are applicable to each. The contracts are, therefore, on their face a bald attempt to exact the same terms and conditions for the period after the patents have expired as they do for the monopoly period." *Brulotte v. Thys Co., supra.*

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[12] Except the Great Lakes Petroleum "Immunity" agreement which specifies a four-year term. This agreement, however, was granted in 1958 and during the four-year term the Fearon patent would expire on January 12, 1960.

**B. The Decision Below Is Wrong In Principle**

The Constitution requires that patents be granted only for "limited times". Total dedication of the invention to the public when the patent expires is the consideration exacted by the Constitution for the grant of the monopoly.[13]

To insure that the dedication is meaningful, the statutes for many years have required that the specific invention monopolized shall be precisely defined in the patent claims. *"The limits of a patent must be known for . . . the assurance that the subject of the patent will be dedicated ultimately to the public." General Electric Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 369, 82 L. Ed. 1402, 1405, 58 S. Ct. 899 (1938).

These constitutional and statutory limitations are presently expressed by 35 U.S.C. 154 which restricts the patent term to seventeen years and by 35 U.S.C. 112 which requires that "The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the . . . invention."

The minimum term package "field" licenses utilized by Respondent subvert both of these constitutional and statutory mandates.

These field licenses

(a) *illegally substitute* for the statutory seventeen-year *term* (35 U.S.C. 154) of the licensed patents, including the expired Bender and Fearon patents, the *term*, including the five-year minimum, during which

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[13] *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 83 L. Ed. 73, 59 S. Ct. 109 (1938); *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 41 L. Ed. 118, 16 S. Ct. 1002 (1896); *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 90 L. Ed. 47, 66 S. Ct. 101 (1945); and *Brulotte v. Thys Co.*, 379 U.S. 29, 13 L. Ed. 2d 99, 85 S. Ct. 176 (1964).

at least some of the licensed patents would expire, of the various private agreements between Respondent and its licensees; and

(b) *illegally substitute* for the *claims* required by 35 U.S.C. 112, a "field" or "royalty base" carefully drafted to cover all "radioactivity well logging operations, including those covered by the expired Bender and Fearon neutron patents" (F. F. 127, App. 110a).

These insidious agreements strike at the heart of the patent system. By these licenses, Respondent has indeed functioned "as its own Patent Office" in derogation of the Constitution and the patent laws. *Cf. Mercoid Corp. v. Mid-Continent Invest. Co.*, 320 U.S. 661, 667, 88 L. Ed. 376, 64 S. Ct. 268 (1944).

## III. THE PURGE QUESTION 2

The decision below is the latest of an unfortunate line of cases which attenuate the misuse doctrine by a dilution of the sanctions prescribed by this Court for its violation.

This Court has consistently held that a patent owner guilty of misuse has a dual burden. First, the illegal activity must be stopped. Second, the patent owner must show that the consequences of the illegal actions have been dissipated.

This second requirement — that the patent owner show dissipation of the consequences of his illegal actions — has been *eliminated* from the requirements for an effective purge in the Third and Fourth Circuits and, by the decision below, in the Tenth Circuit. In these circuits, mere abandonment of the illegal activity is an effective purge (Pet. 32-35).

These decisions, including the decision below, which eliminate proof of dissipation of the consequences of the misuse from the requirements for purgation, are in direct

conflict with (a) every relevant decision of this Court, and (b) the 1965 decision of the Sixth Circuit in *Preformed Line Products Co. v. Fanner Mfg. Co.*, 328 F. 2d 265 (1964), *cert. den.* 379 U.S. 846, 13 L. Ed. 2d 51, 85 S. Ct. 56 (1965), (Pet. 32-33).[14]

The decision below goes farther than any prior appellate decision to relax the standards of purgation demanded by this Court. The Tenth Circuit in this case has held that it is not even necessary that *all* of the illegal practices be abandoned. Abandonment of *some*, coupled with a mere *offer* to terminate others of the illegal practices was found sufficient to constitute a purge by the court below. On this point, the decision is in conflict with the rule of this Court in *B. B. Chemical Co. v. Ellis, supra*, in which the Court rejected a similar offer, stating:

> ". . . petitioner suggests that it is entitled to relief because it is now willing to give unconditional licenses to manufacturers on a royalty basis, which it offers to do. It will be appropriate to consider petitioner's right to relief when it is able to show that it has fully abandoned its present method of restraining competition in the sale of unpatented articles and that the consequences of that practice have been fully dissipated" (314 U.S. 498, 86 L. Ed. 370).

The erosion of the misuse doctrine inherent in the decision below cannot be concealed by the argument that the issue of whether a purge is committed is a "question of fact" "largely discretionary with the trial court" (R. Br. 32).

The issue here is whether or not the lower federal courts, including the Court of Appeals in this case, may attenuate the misuse doctrine by *eliminating the requirement* that the illegal practice must be *fully abandoned and* that the

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[14] Respondent asserts, but significantly does not attempt to demonstrate, that "The decision of the lower courts herein is entirely consistent with *B. B. Chemical* and *Fanner*" (R. Br. 32).

consequences of the misuse be *fully dissipated* as a prerequisite to rehabilitation of the patent.

Respondent's further attempt to avoid the force of Question 2 by an unsupported challenge to its factual accuracy (R. Br. 3) serves only to demonstrate the importance of the issue.

Question 2 is squarely supported by the record. The trial court concluded as a matter of law that Respondent had misused its patents for 16 years from June 11, 1940 until June 1, 1956 "in violation of the policy of the United States relating to the grant, holding and exploitation of patents" (Conclusion of Law 22, App. 117a). Respondent admits that at least two of the illegal licenses — the very agreements which both courts found to constitute a "prohibited tying arrangement" (App. 48a-49a, Pet. 32) — survived the purge date (R. Br. 15, 33). Hence Respondent admits the assertion in the question that it merely abandoned "some but not all of the practices found to be illegal" and offered "to 'negotiate' with respect to other practices found to be illegal which, in fact, were not terminated but continued after the date of the alleged purge" (Pet. 3). With respect to these illegal agreements, the purge was predicated on a mere offer to negotiate in violation of the rule in *B. B. Chemical Co., supra,* (Pet. 32, R. Br. 15, 33). Finally, Respondent in its brief points to no evidence, for there is no evidence in the record, of any affirmative act by it to dissipate "the anticompetitive consequences of its past illegal acts".

This is an aggravated case. It is in conflict with the standards for an effective purge repeatedly delineated by this Court. It typifies the growing trend in the lower federal courts to attenuate the misuse doctrine by unenthusiastic application of the sanctions prescribed for its violation. Review should be granted now to reverse this unfortunate

trend, to resolve the conflict in the lower courts, and to rehabilitate the misuse doctrine as a meaningful deterrent to the abuse of patent monopolies.

## IV. THE "EQUIVALENTS" QUESTION 3

The Swift "combination" essentially consists of two "ingredients": (a) an old casing collar locator, and (b) *an old well surveying* system *or tool.*[15] These two old tools are connected to a common conductor which transmits a separately but simultaneously produced signal from each to a recorder at the well head. None of these "ingredients" was invented by Swift. Finding of Fact 63 states:

> "Magnetic casing collar locators and radioactivity well logging *systems* were separately known long prior to the invention of the Swift patent. It was also old long prior to the invention of the Swift patent to transmit multiple signals over a common conductor" (App. 89a-90a).

In the Swift patent claims, these old "ingredients" are functionally defined as "means . . . for performing a specified function without the recital of structure . . ." (35 U.S.C. 112).[16] The Swift claims were deliberately written in func-

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[15] App. 13a, F.F. 63, App. 89a. The Swift ingredient (b) is *not* a mere radiation detector as Respondent urges (R. Br. 3, 35) — but an entire well surveying tool of which a radiation detector is but one of *many* component parts.

Petitioner substituted for the well surveying *system* ingredient (b) of the Swift combination, the Pringle system which was not known when the Swift application was filed and, in so doing, avoided infringement. See page 17, *infra.*

[16] Claim 5 of Swift defines the "combination" as follows:

Functional definition of well surveying system

> "5. In a system for logging cased wells having a capsule which is adapted to traverse the well and which contains **means** *for producing a varying signal proportionally related in its magnitude of variation to a selected physical property of the surrounding strata, a recorder driven in correlation with the depth of the capsule, and means*

tional terms to include all collar locators and all surveying tools when simultaneously utilized (F. F. 60, App. 88a).

35 U.S.C. 112 requires that such claims ". . . *shall* be construed to cover the corresponding structure, material, or acts described in the specification and *equivalents* thereof" (Pet. 37).

Petitioner admittedly does not use any well surveying system ingredient (b) described in the Swift patent (Pet. 37).

Petitioner *substituted* for the ingredient (b) described in the Swift "combination" the *Pringle* radioactivity well logging *system* "which was not known and had not been invented at the time the application for the Swift patent was filed on March 22, 1946" (Pet. 36, F. F. 90, App. 97a).

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*for transmitting the varying signal to the recorder for the operation of the same,*

the improvement which comprises

Functional definition of casing collar locator

(**means** for detecting casing collars which are traversed by the capsule by producing signals indicative of their proximity,)

Multiple signal conductor

**means** for introducing said signals into the transmitting means of said system, whereby an indication of the casing collar signals will be produced on the record made by said recorder."

The italicized portion of the claim functionally defines the well surveying system ingredient (b) of the Swift combination. This functional definition includes all such systems including the systems disclosed in the expired Bender and Fearon patents.

The portion of the claim in parenthesis ( ) functionally defines the casing collar locator ingredient (a) of the Swift combination. This functional definition embraces *all* casing collar locators including the old locator which was the subject matter of the patent held invalid by this Court in *Halliburton Oil Well Cementing Co. v. Walker*, 329 U.S. 1, 91 L. Ed. 3, 67 S. Ct. 6 (1946).

On these facts, the "concurrent findings below" that Petitioner infringed the Swift patent are in conflict with 35 U.S.C. 112 and the controlling decisions of this Court.

At the time the statute was enacted, the law was clear, at least in this Court, that claims for combinations of old elements were *not* infringed by a substitution for one of the "ingredients", "if the ingredient substituted was a new one . . . or was not known *at the date* of the plaintiff's *patent* as a proper substitute for the one omitted, as in that event he does not infringe" (*Gill v. Wells*, 89 U.S. (22 Wall.) 1, 22 L. Ed. 699 (1874)). See also *Fuller v. Yentzer*, 94 U.S. 288, 24 L. Ed. 103 (1877) and *Halliburton Oil Well Cementing Co. v. Walker*, 329 U.S. 1, 91 L. Ed. 3, 67 S. Ct. 6 (1946) (Pet. 38).

The "date of the . . . patent" in the context of these cases means "the date the invention was made". It does *not* mean the issue date of the patent in suit as Respondent insists (R. Br. 3, 35).[17]

In *Gould v. Rees*, 82 U.S. (15 Wall.) 187, 21 L. Ed. 39 (1872), which antedated *Gill v. Wells, supra*, the Court held that "Where the defendant in constructing his machine . . . substitutes another [ingredient] in the place of the one omitted, *which . . . was not known at the date of the plaintiff's invention* as a proper substitute for the omitted ingredient, *then he does not infringe.*"

In the same case, the Court made it clear that the expression "date of the patent" as used in cases defining equivalents for claims to combinations of old elements means "the date of the plaintiff's invention".

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[17] Petitioner's position is consistent on this issue. It is entirely clear (Pet. 36) that the expression "date of the patent" as used in Question 3 was intended to refer to the filing date as required by the relevant decisions of this Court, *supra*. (Cf. R. Br. 35).

This Court, at least, has never departed from this now statutory rule of "known equivalents". It represented the law in this Court in 1952 when 35 U.S.C. 112 was enacted.[18]

There is nothing in the legislative history which evidences any intent to change the law. *Per contra,* Congress expressly refused to vitiate the rule of "known equivalents" by enacting a version of section 112 which would have provided that the "means plus function claims" it authorized "shall be construed to cover the corresponding structure . . . described in the specification and equivalents thereof *whether or not known at the time the invention was made*" (Pet. 39, Note 26).

The rule of "known equivalents" is obviously correct in principle.

35 U.S.C. 132 limits a patentee's rights to the disclosure of his specification *on the date it is filed* by providing that "No amendment shall introduce new matter into the disclosure of the invention". Nor can the patentee by broad "functional" claiming stifle the further progress of the art by suppression of all subsequent invention in the same field. *O'Reilly v. Morse,* 56 U.S. (15 How.) 62, 14 L. Ed. 601 (1853); *Halliburton Oil Well Cementing Co. v. Walker, supra.* The rule properly forecloses similar unjust enrichment of the patentee at the expense of the public through application of the doctrine of equivalents.

Respondent's arguments based on alleged equivalency in 1938 of "scintillation counters, Geiger counters and ionization chambers" as *radiation detectors* (R. Br. 35) is inapposite. The "ingredient" of the Swift combination which Petitioner "substituted" was not a "radiation detector" —

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[18] It is recognized that certain of the lower federal courts were, at the time the 1952 Act was passed, and are now in disagreement. This conflict in decision is a further reason for review of this question by this Court at this time.

but, rather, *a well logging system* of which a radiation detector is but one of many parts.

Respondent, tacitly recognizing that its position is untenable, attempts to compensate by a fallacious assertion of fact. It is simply not true, as Respondent asserts (R. Br. 35), that Fact Finding 30 "establishes that" "scintillation counters, Geiger counters and ionization chambers" were known to be equivalents "as radiation detectors *for radioactivity well logging*" prior to 1938. If this *were* so, both Bender and Fearon would be invalid since these patents claim the mere use of such "radiation detectors" *for* "radioactivity well logging" — and at least two of the prior art references on which Fact Finding 30 rests antedate not only the 1938 *issue* date of Bender but, also, the 1936 Bender filing date.[19]

Respondent's arguments that Question 3 was not raised below conflict with the statement in the decision below that

> "McCullough [Petitioner] contends here, as it did at the trial, that its device does not infringe Swift because that device has a different combination of parts and a different mode of operation. . . ." (App. 38a).

The McCullough (Petitioner) device is a "different combination of parts" *because* it includes a Pringle well survey-

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[19] The "two" are the Johnston patent issued July 14, 1908 and the RCA work which, as indicated in the footnote on the first page of WSI Ex. 19, T-2, was completed prior to the October 23, 1935 date on which the paper embodying it was delivered to the Institute of Radio Engineers. The reference in the Finding to "Von Meyeren (McCullough Ex. 14)" seems to be erroneous.

These two references were unquestionably selected by Respondent in the trial court for this very reason, since the rule of "known equivalents" required references of such date to make out a case of infringement of Bender by Petitioner's tool which includes a scintillation counter not disclosed in Bender.

ing system rather than the system described in Swift. The trial court found as a fact that Pringle was not known as of the Swift filing date (F. F. 90, App. 97a) but nevertheless held Petitioner liable for infringement. The Court of Appeals affirmed. These rulings are wrong as a matter of law. They are properly subject to review here.

## V. STANDARD OF INVENTION QUESTION 4

The decision below is a classic example of the debasement of the constitutional standard of invention in the lower federal courts.

The Court of Appeals gave lip service to *Great A. & P. Tea Co. v. Supermarket Equip. Corp.*, 340 U. S. 147, 95 L. Ed. 162, 71 S. Ct. 127 (1951) (App. 16a). It then proceeded to sustain the obviously aggregative Swift patent in total disregard of the criteria demanded by the *A. & P.* decision. The Swift "combination" patent was sustained below in the total absence of any evidence demonstrating any unusual or surprising result. The "new and useful result" attributed to Swift (App. 17a, F. F. 57, App. 86a) is nothing more than the cumulative consequence of the simultaneous operation of the two old devices associated in the "combination". Such assemblages of old devices have never been patentable under our laws. The private letters of Thomas Jefferson reflect the interpretation placed upon the "sufficiently useful and important" requirement of the 1790 Act by the Patent Board of which he was a member. In one of his letters, Jefferson said:

> ". . . If we have a right to use three things separately, I see nothing in reason, or in patent law, which forbids our using them all together. A man has a right to use a saw, an axe, a plane separately; may he not combine their uses on the same piece of wood?"[20]

[20] Letter to Oliver Evans, Washington Edition, Vol. VI, page 298 (1814).

Respondent (R. Br. 39) defends the decision below sustaining the Swift patent as a "purely factual" issue not subject to review here in view of the now outmoded "two court" rule delineated in *Williams Mfg. Co. v. United Shoe Mach. Corp.*, 316 U.S. 364, 86 L. Ed. 1537, 62 S. Ct. 1179 (1942).

Since the "requirement" for "invention" now codified in 35 U.S.C. 103 is constitutionally prescribed, the issue of patentability is a *legal* question subject to appellate review. To the extent that *Williams Mfg. Co. v. United Shoe Mach. Corp., supra, Goodyear Tire & Rubber Co. v. Ray-O-Vac Co.*, 321 U.S. 275, 88 L. Ed. 721, 64 S. Ct. 593 (1944) and *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 336 U. S. 271, 93 L. Ed. 672, 69 S. Ct. 535 (1949) may imply any different conclusion, they were overruled by *A. & P., supra*, and by the later decisions of this Court which rely upon *A. & P.* to reaffirm the fundamental principle that the application of a proper legal standard to the fact findings of a trial court in *any* field of law is necessarily reviewable on appeal.[21] The concurrence of Congress with this principle is demonstrated by the rejection of various proposed amendments to the statute which would have denominated "obviousness" or "invention" a "fact" question.[22]

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[21] *Crest Specialty v. Trager*, 341 U.S. 912, 95 L. Ed. 1349, 71 S. Ct. 733 (1951); *Dalehite v. United States*, 346 U.S. 15, 97 L. Ed. 1427, 73 S. Ct. 956 (1953); *United States v. Parke, Davis & Co.*, 362 U.S. 29, 4 L. Ed. 2d 505, 80 S. Ct. 503 (1960); *United States v. Mississippi Valley Generating Co.*, 364 U.S. 520, 5 L. Ed. 2d 268, 81 S. Ct. 294 (1961).

[22] Study No. 7 of the Subcommittee on Patents, Trademarks and Copyrights of the Senate Committee on the Judiciary (Edwards, "Efforts to Establish a Statutory Standard of Invention", 85th Congress, 1st Session) records the fact that *prior* to the consideration of H.R. 3760, the House Subcommittee considered and allowed to die two proposed bills, both of which affirmatively denominated the question of patentability as one of fact. The first of such bills, a proposed

Significantly, *Goodyear* precipitated both the *nisi prius* and appellate opinions in *A. & P.*

In *Williams*, the dissenting opinion, with a considerable degree of omniscience, predicted that the patent in suit was "a stage of a process which the record shows began years before and is still continuing, a process by which it appears possible for the respondent to make the monopoly endless" by a "series of overlapping patents." (316 U.S. at 381, 382; 86 L. Ed. at 1549).

The seeds of this Court's decision came to fruit precisely as predicted by the dissent. See the discussion of "A Crowded Art" in *United Shoe Machinery Corp. v. Industrial Shoe Mach. Corp.*, 223 F. Supp. 826 (D. Mass. 1963), reversed in part 335 F. 2d 577 (1 Cir. 1964), *cert. den.* 379 U.S. 90, 13 L. Ed. 2d 610 (1965).

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amendment to R.S. 4886 (35 U.S.C.A. 31), in pertinent part was as follows:

> "When, in any proceeding before any tribunal having jurisdiction to determine the patentability of a claim in a patent application or the validity of a claim of an issued patent, the issue arises in respect to the question of whether the subject matter defined by such claim amounts to invention, *that question shall be one of fact* and all evidence, relevant, competent, and material concerning the question shall be admissible. . . ."

The second bill, also proposed as an amendment to R.S. 4886 (35 U.S.C.A. 31), read:

> "(b) There shall be no criteria of patentable invention or discovery other than novelty (*beyond what is reasonably to be expected of the ordinary person exercising the mere routine skill of the art*) and utility; *and the existence of such novelty and utility to support patentability shall be* **facts** to be determined by the Commissioner of Patents in the first instance, and such determination by the Commissioner of Patents shall be final in any action or proceeding involving an issued patent unless the determination is clearly erroneous in view of all the evidence in any such action or proceeding."

## VI. CONCLUSION

This Petition for a Writ of Certiorari should be granted.

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# APPENDIX

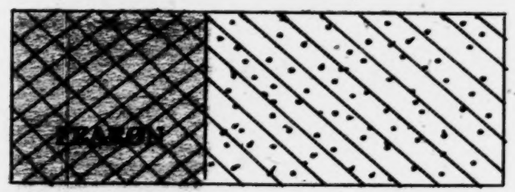
# APPENDIX A

## SCHEMATIC REPRESENTATION OF PATENT MONOPOLY EXTENSION INHERENT IN RESPONDENT'S PACKAGE "FIELD" LICENSES

**I. The situation on *October 18, 1938* when Bender patent 2,133,736 (now Reissue patent 23,226) *issued*:**

1. *Entire* field of radioactivity well surveying
   (a) covered by Bender patent;
   (b) subject to royalty-bearing licenses.

**II. The situation as of a time just *prior* to the *expiration* of Bender on October 18, 1955:**




Field

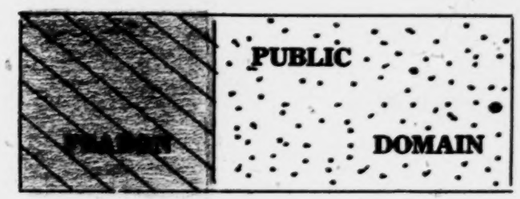
**Patent Situation**

1. *Entire* field still covered by Bender — now due to *expire*.
2. A *portion* of "field" shown in *red* covered by Bender and also Fearon "neutron logging" improvement patent 2,308,361, issued January 12, 1943, expired January 12, 1960.
3. Other portions of "field" shown in *black dots* are covered by Bender and also by 70 to 75 minor "improvement" patents (R. Br. 19) issued after Bender.

**Royalty Situation**

*Entire* field *still properly* subject to royalty-bearing licenses since Bender is still unexpired.

**III. The situation *after* Bender *expired* on October 18, 1955:**




Field

**Patent Situation**

1. *Entire* area again represents "field" of radioactivity well surveying.
2. *Entire white* portion of "field", *i.e.*, that portion *not* falling within either the red or the black-dot subareas of the Fearon and minor improvement patents is in the *public domain* due to the expiration of Bender. *All* technology in this area is dedicated to the unqualified free use of the public as a consideration for the spent monopoly.

**Royalty Situation**

1. Royalty *still* paid on *entire* field, notwithstanding Bender expiration, *because* Respondent's post-expiration licenses specify a "royalty base" which is defined to include the entire "field" of radioactivity well logging (F.F. 122, 127) and which is defined
   (a) *without* regard to scope of unexpired patent claims;
   (b) *without* regard to Respondent's obligation to dedicate subject matter of expired Bender patent to free use of public.

   By these field licenses, Respondent compromised its bargain with the people to totally relinquish the Bender invention when the patent expired. These agreements are illegal *per se*.

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**Patent Situatio**

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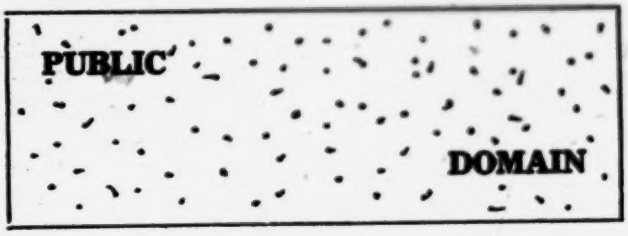
IV. The situation *after* Fearon expired on January 13, 1960:




**Field**

**Patent Situation**

1. Entire "field" (white area) is now in public domain, except for limited black dot subareas representing 70 to 75 minor improvement patents.

**Royalty Situation**

Respondent's "field" licensees still pay royalties for *all* activities within the field, including *post-expiration* royalties on operations exclusively in the public domain due to the expiration of Bender and Fearon, and *not* covered by *any un*expired patent. See III, this Appendix.

# APPENDIX B

## RESEARCH-SERVICE AND LICENSE AGREEMENT

*This Agreement* is made this 1st day of June, 1956, by and between

WELL SURVEYS, INCORPORATED, of Tulsa, Oklahoma, a corporation of Delaware, hereinafter called "W.S.I.",

and

LANE-WELLS COMPANY, of Los Angeles, California, a corporation of California, hereinafter called "LICENSEE".

### I. RECITALS AND DEFINITIONS.

1.01 W.S.I. is a research organization working in the Field of Radioactivity Well Surveying which has developed and proven commercially certain methods and apparatus for surveying wells and which is conducting continued research in said field looking toward new developments and improvements in said field.

1.02 LICENSEE desires to obtain the benefit of W.S.I. research as embodied in Radioactivity Well Surveying methods and apparatus and a license under W.S.I. Patents to conduct Radioactivity Well Surveying operations for hire, and LICENSEE further desires that W.S.I. shall undertake to provide LICENSEE the opportunity to obtain such apparatus of W.S.I.'s design.

1.03 The term "Radioactivity Well Surveying" as used herein shall mean logging or surveying bore holes by the detection along a bore hole of neutral particles, charged particles or electromagnetic radiations coming either from the nucleus or from the outer particles of the atom or any other radioactive effects or radioactive radiations or combinations thereof emanating from the material within or traversed by the bore hole, whether these emanations represent a natural condition or result from irradiating the

formation with neutral particles, charged particles or electromagnetic radiations or any combination of them or are the result of a treatment of the formation or the bore hole capable of giving rise to such emanations, and by the utilization of these received radiations or particles to derive information concerning the nature or contents of the formation or the bore hole. The term "electromagnetic radiations" as used herein shall mean radiations having frequencies greater than that of ultraviolet light.

1.04 The term "Field of Radioactivity Well Surveying" as used herein shall mean all methods and apparatus used for Radioactivity Well Surveying.

1.05 The term "Radioactivity Survey" as used herein shall mean and include any logging and surveying operation in the Field of Radioactivity Well Surveying.

1.06 The term "Radioactivity Tracer Logging Service" shall mean either of the following: (a) a well logging service in which a radioactive tracer material is introduced into a single well (wherein a Radioactivity Survey may or may not have been previously conducted) and in which one or more Radioactivity Surveys are subsequently conducted in said well to obtain information regarding the effect of said tracer material; or (b) a well logging service wherein a radioactive tracer material is introduced into a control well (wherein a Radioactivity Survey may or may not have been previously conducted) and in which one or more Radioactivity Surveys are conducted in one or more adjacent wells for the purpose of obtaining information regarding transmission of said tracer material from said control well to said adjacent wells.

1.07 The term "Present Patents" as used herein shall mean United States patents owned or controlled by the granting party in the sense of having the right to grant licenses thereunder without accounting to others, which patents are based on inventions made on or before the date upon which the first instrument for use under this Agreement is delivered to LICENSEE and, if unlicensed, would be

infringed by a method or apparatus in the Field of Radioactivity Well Surveying.

1.08 The term "Schlumberger Patents" as used herein shall mean United States patents now or hereafter owned by Schlumberger Well Surveying Corporation to the extent that such patents claim inventions disclosed in applications filed in the United States Patent Office on or prior to January 1, 1951, and to the extent that such patents, if unlicensed, would be infringed by a method or apparatus in the Field of Radioactivity Well Surveying.

1.09 The term "Future Patents" as used herein shall mean United States patents other than Present Patents owned or controlled by the granting party in the sense of having the right to grant licenses thereunder without accounting to others which patents are based on inventions made prior to the Cut-Off Date and, if unlicensed, would be infringed by a method or apparatus in the Field of Radioactivity Well Surveying.

1.10 The term "Cut-Off Date" as herein used shall mean the termination date of this Agreement unless the Licensee, pursuant to the provisions of Article III, specifies a different date, in which event it shall mean the date so specified by Licensee.

II. GRANTS.

2.01 W.S.I. hereby grants to LICENSEE non-exclusively and non-transferably (except as hereinafter specified):

(a) a license under Present Patents of W.S.I. to to practice Radioactivity Well Surveying for others for hire; and

(b) an immunity from any claim, suit or liability for infringement of Schlumberger Patents arising from Radioactivity Well Surveying for others for hire in bore holes which have been drilled or used in connection with the search for or the ultimate production of oil or gas.

2.02* LICENSEE hereby grants to W.S.I., for Radioactivity Well Surveying and for making, having made and selling apparatus therefor and for experimentation of a purely research or development nature in the Field of Radioactivity Well Surveying, a non-exclusive, fully-paid license and right to sub-license others under the Present Patents of LICENSEE.

2.03 W.S.I. hereby grants to LICENSEE under the Future Patents of W.S.I. a non-exclusive, non-transferable (except as hereinafter specified) license to practice Radioactivity Well Surveying for others for hire and agrees to keep LICENSEE currently informed with respect to developments forming the basis for Future Patents, provided, however, that W.S.I. may, in keeping LICENSEE informed as aforesaid, exercise reasonable precautions against the disclosure of any inventions which would be premature with respect to the status of the development or the status of any application for patent thereon.

2.04 LICENSEE hereby grants to W.S.I., for Radioactivity Well Surveying and for making, having made and selling apparatus therefor and for experimentation of a purely research or development nature in the Field of Radioactivity Well Surveying, a non-exclusive, fully-paid license under the Future Patents of LICENSEE together with the non-exclusive, fully-paid right to extend sub-licenses under the Future Patents of LICENSEE, for Radioactivity Well Surveying only, to other W.S.I. licensees who shall grant to W.S.I. a similar sub-licensing right inuring to the benefit of LICENSEE, provided that W.S.I. shall not have the right to extend to another W.S.I. licensee a license under LICENSEE's Future Patents which are based on inventions made subsequent to the Cut-Off Date in the Agreement between W.S.I. and such other licensee.

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* NOTE: *If a prospective* LICENSEE *believes it has Present Patents of significant value which would be affected by the grant in Section 2.02 and so advises W.S.I., then this provision of the form shall become the subject of negotiation looking toward its elimination or an agreement between W.S.I. and the prospective* LICENSEE *upon some further consideration to support this grant.*

2.05 Experimentation conducted by LICENSEE, in the Field of Radioactivity Well Surveying, which is of a purely research or development nature and for which LICENSEE receives no consideration from a stranger to this Agreement shall be considered licensed hereunder and shall not give rise to a claim for additional royalty.

III. MODIFICATION OF CUT-OFF DATE.

3.01 Upon execution and delivery of this Agreement or at any time thereafter LICENSEE may notify W.S.I. in writing that the Cut-Off Date shall be either

(a) the date upon which the first instrument for use under this Agreement is delivered to LICENSEE by W.S.I. or a W.S.I. licensed manufacturer, provided such delivery has not been made prior to the notice, or

(b) any other date subsequent to that specified in (a), at least six (6) months subsequent to the date of the notice and prior to the termination date of this Agreement.

3.02 The Cut-Off Date may be extended successively by LICENSEE pursuant to the provisions of Section 3.01, provided that notice of such extension is given to W.S.I. prior to the Cut-Off Date specified in the next preceding notice, and may not be further extended by any notice given subsequent to the Cut-Off Date specified in the next preceding notice.

IV. RESEARCH, EQUIPMENT AND SERVICE.

4.01 W.S.I. intends to continue its active program of research and development work in the Field of Radioactivity Well Surveying. During the term of this Agreement and subject to the provisions of Section 2.03, W.S.I. shall afford LICENSEE the benefits of such research and development work.

4.02 W.S.I. shall exercise its best efforts to maintain a source from which LICENSEE can procure at a reasonable price detecting and recording instruments of good quality

incorporating results of W.S.I. research and development work for use under this Agreement. W.S.I. shall similarly cooperate with LICENSEE relative to repairs and replacements for said instruments.

4.03 Since the Radioactivity Well Surveying described in Sections 2.01 and 2.03 requires the use of instruments, the licenses therein granted shall include the right in LICENSEE to make instruments for its own use and such right may be extended by LICENSEE to instrument manufacturers, but any such extension shall be specifically restricted to such instruments made for and actually used by LICENSEE pursuant to the terms and conditions of this Agreement and shall cease to exist if this Agreement is terminated or if the instrument is transferred to a stranger to this Agreement except in the event such transferee has a license under W.S.I. patents to use such instrument, in which event the instrument shall be considered as having been made for such transferee. Nothing herein contained shall be construed as requiring W.S.I. to give any aid or assistance to LICENSEE in the manufacture of instruments or equipment by LICENSEE or its agents for use hereunder.

V. PAYMENTS.

5.01 LICENSEE agrees to pay W.S.I. cash consideration in the sum of No ($0.00) Dollars upon execution and delivery of this Agreement.

5.02 LICENSEE agrees to pay W.S.I. as royalty on each well surveyed under this license granted by W.S.I. herein an amount equal to fifteen (15%) percent of the gross charge (exclusive of mileage) made for the surveys so conducted, provided that, until such time as fifty (50%) percent of the total royalty payable under this Agreement at the rate of fifteen (15%) percent shall equal the sum specified in Section 5.01, LICENSEE shall actually pay W.S.I. an amount equal to seven and one-half (7½%) percent of said gross charge.

5.03 In the event that a service involving Radioactivity Well Surveying is one of a combination of several different

services conducted by LICENSEE for the same customer on the same setup, at the same well and for a single price which is different from the total of the individual charges customarily made by LICENSEE for such services if performed separately, the "gross charge" for determining the royalty payable on such service involving Radioactivity Well Surveying shall be that proportion of the single price charged for said combined service which the individual charge customarily made by LICENSEE for the particular service involving Radioactivity Well Surveying is of the total of the individual charges made by LICENSEE for each of such services if performed separately. For the purposes of this Section 5.03, a Radioactivity Tracer Logging Service shall be construed as "on the same setup" and "at the same well" even though successive setups or a plurality of wells are actually employed in rendering such a service.

5.04 On or before the 20th day of each month LICENSEE shall furnish W.S.I. with a report in writing setting forth the following information pertaining to each well survey performed under this license during the preceding calendar month:

(a) Customer;

(b) Invoice number;

(c) Date of invoice;

(d) Amount on which royalty is payable;

and a summary including:

(e) Total, for all well surveys, of amounts specified in Item (d) above;

(f) Total royalty payable (Item (e) multiplied by royalty rate).

Each statement shall be accompanied with payment for the full amount of the total royalty payable for the month in question.

5.05 LICENSEE shall fix charges for Radioactivity Surveys conducted hereunder in its sole discretion but agrees that royalty payable hereunder shall not be less than would be

payable provided such charges were commensurate with the cost and value of said Radioactivity Surveys.

5.06 LICENSEE shall keep records adequate to verify the reports and payments made pursuant to Section 5.04, and W.S.I. shall have access once annually during regular business hours to LICENSEE's records to the extent and only to the extent necessary to verify said reports and payments.

5.07 If at any time during the term of this Agreement W.S.I. shall enter an agreement with any other party granting the same license rights under the Present Patents of W.S.I. and the same benefits of W.S.I. research and development work as are herein granted and afforded to LICENSEE at a royalty rate lower than the rate provided in this Agreement, then and in such event W.S.I. shall make such lower royalty rate available to LICENSEE for the purpose of computing all royalty payments from LICENSEE to W.S.I. which may fall due under this Agreement subsequent to the effective date of such agreement with such other party; provided, however, that if such license is granted to another party for whose Radioactivity Surveys W.S.I. is not obligated to pay to Schlumberger Well Surveying Corporation any or as much royalty as for the Radioactivity Surveys of LICENSEE, W.S.I. shall not be deemed to have violated this provision by granting to such other party a license at a royalty rate which is lower than that provided in the Agreement by the difference in the royalty rates required to be paid by W.S.I. for the Radioactivity Surveys of LICENSEE and such other party; provided further that W.S.I. may assign a fair value to patent rights on then-existing inventions or to other considerations of real value received from such other party without being deemed to have violated this provision; and provided further that, if the agreement with such other party contains one or more reasonably applicable provisions which would be less favorable to LICENSEE, the availability of such lower royalty rate to LICENSEE shall be contingent upon LICENSEE's acceptance of such less favorable provisions.

5.08 (This Section is attached at the end of this Agreement as page 8 [page 13a, *infra*].)

VI. TERMINATION.

6.01 In the event that suit for patent infringement is brought against LICENSEE, W.S.I. shall have the right to elect in writing, within sixty (60) days of receipt of written notice of said suit from LICENSEE, to defend and hold LICENSEE harmless from any judgment or expense arising from said suit insofar as applicable to use of apparatus acquired from or through W.S.I. If W.S.I. fails to make such election within said sixty (60) day period, LICENSEE shall have the right to terminate this Agreement within sixty (60) days thereafter, provided that:

(a) The suit be a bona fide suit for patent infringement by use of apparatus acquired from or through W.S.I., and such apparatus cannot be used in Radioactivity Well Surveying without involving the allegedly infringing use.

(b) LICENSEE shall have promptly notified W.S.I. in writing of any such suit.

(c) LICENSEE shall not have settled any such suit without first having obtained W.S.I.'s consent in writing.

If LICENSEE shall fail to exercise its right of termination within said period, it shall have waived its right of termination for the particular suit brought.

6.02 Upon W.S.I.'s election to hold LICENSEE harmless, W.S.I. shall, at its option, have sole charge and direction of said suit in LICENSEE's behalf, with the sole right to compromise or settle such suit, and LICENSEE shall render such reasonable assistance as W.S.I. may request in the defense of such suit. W.S.I. shall have fulfilled its obligation to hold LICENSEE harmless if W.S.I. has or acquires rights which would avoid the cause of action for such infringement and offers such rights to LICENSEE without additional cost.

6.03 If LICENSEE shall neglect or fail to render reports and make payments as and when due hereunder or shall otherwise be in default of any obligation under this Agreement or under any other Agreement between the parties hereto relating to the Field of Radioactivity Well Surveying, W.S.I. shall have the right to give written notice there-

of to LICENSEE, and if within sixty (60) days from and after the date of such notice LICENSEE shall not have cured such default, then W.S.I. may, at its option, cause this Agreement to terminate forthwith by giving written notice to that effect to LICENSEE.

6.04 LICENSEE may terminate this Agreement as of the fifth anniversary date hereof or as of any successive anniversary date thereafter by giving W.S.I. written notice of cancellation at least sixty (60) days prior to the anniversary date on which cancellation is to take effect.

6.05 Unless otherwise terminated pursuant to the provisions hereof this Agreement shall continue in full force and effect until the expiration date of the last W.S.I. patent to expire under which LICENSEE is licensed hereunder.

6.06 Termination of this Agreement shall not affect the obligations of LICENSEE to make any payments which shall have accrued up to the date of such termination, and the fact that W.S.I. shall not have terminated this Agreement pursuant to Section 6.03 because of one or more defaults by LICENSEE shall not prejudice the right of W.S.I. to effect termination for a subsequent default.

6.07 It is recognized that, in event of termination of this Agreement, LICENSEE may desire to use or sell Radioactivity Well Surveying apparatus previously acquired from W.S.I. or others, and that a further license under W.S.I. patents will then be necessary for such use by LICENSEE or its vendees of such apparatus as would, if unlicensed, infringe W.S.I. patents; therefore, W.S.I. agrees that in the event the use of said apparatus by LICENSEE or its vendees shall infringe any one or more W.S.I. patents, it will, following termination of this Agreement, grant upon reasonable terms to LICENSEE and/or any vendee of such apparatus, a license under W.S.I. patents, licensed under this Agreement at the time of termination, to use such previously acquired apparatus, it being the intention of this provision to give LICENSEE the right to continue to use and to transfer to a vendee the right to use said apparatus on a reasonable royalty basis as long as any of said W.S.I. patents applicable thereto would be infringed by such use.

VII. MISCELLANEOUS.

7.01 LICENSEE shall not be estopped to contest the validity of any patent included in Present Patents and Future Patents of W.S.I.

7.02 This Agreement may be assigned by LICENSEE to a successor of its entire Radioactivity Well Surveying business which successor shall subscribe to the terms and conditions hereof but shall not be otherwise assignable by LICENSEE without the written consent of W.S.I.

7.03 The addresses of the parties hereto, for the purpose of notices, payments and other communication provided for herein, shall be as follows:

WELL SURVEYS, INCORPORATED
P. O. Box 2656
Tulsa, Oklahoma

LANE-WELLS COMPANY
5610 South Soto Street
Los Angeles, California

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their proper officers duly authorized and their corporate seals to be affixed as of the date first named herein.

WELL SURVEYS, INCORPORATED

By RUSSELL M. OTIS
Vice President

Attest:

ROBERT K. SCHUMACHER
Asst. Secretary

(Seal)

LANE-WELLS COMPANY

By JOHN J. NEALE
President

Attest:

PAULINE R. HOFFMAN
Asst. Secretary

(Seal)

**Addendum to Research-Service and License Agreement made this 1st day of June, 1956.**

**5.08 Inasmuch as LICENSEE has previously given valuable consideration for the right to a license under Schlumberger Patents and inasmuch as W.S.I. is therefore not obligated to pay Schlumberger Well Surveying Corporation for such license, the royalty rate specified in Section 5.02 shall be reduced by the current rate of royalty payable by W.S.I. to Schlumberger Well Surveying Corporation for Radioactivity Surveys conducted by another party granted substantially the same rights and benefits as granted LICENSEE under this agreement, other than the rights granted under this Section 5.08.**

WELL SURVEYS, INCORPORATED

By RUSSELL M. OTIS

Vice President

(Seal)

LANE-WELLS COMPANY

By JOHN J. NEALE

President

(Seal)

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FILED
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JOHN F. DAVIS, CLERK

# In the Supreme Court of the United States

OCTOBER TERM, 1965.

No. 366.

McCULLOUGH TOOL COMPANY, *et al.*,
*Petitioner,*

vs.

WELL SURVEYS, INC. *et al.*,
*Respondent.*

RECEIVED
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## SUPPLEMENTAL BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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OCTOBER TERM, 1965.

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McCULLOUGH TOOL COMPANY, *et al.*,

*Petitioner,*

vs.

WELL SURVEYS, INC. *et al.*,

*Respondent.*

## SUPPLEMENTAL BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

We file this Supplemental Brief only because of Petitioner's persistence in a position which has absolutely no support in the record and is contrary to fact. We refer to Petitioner's representation that after the expiration of the Bender and Fearon patents WSI had left only minor improvement patents, and that most of the operations of its licensees were uncovered by any patent. Petitioner not only makes this statement in its Reply Brief, but depicts it graphically in Appendix A thereto, which is not based on the record but is made up out of whole cloth.

The uncontroverted showing of the record is that, after the expiration of Bender and Fearon, WSI still had important unexpired patents in the radioactivity well logging field, *and that its licensees usually and normally used several of its unexpired patents in their radioactivity well logging operations* (See our main brief, pages 20 and 21 and Annex A).

Nor was this evidence "dredged up," as Petitioner states on page 3 of its Reply Brief. It was set forth *in extenso* on pages 4 to 7 of the Memorandum after Argument which we filed with the Court of Appeals at the time of the reargument of this case after this Court's decision in *Brulotte*. Petitioner had full opportunity to attempt to controvert this evidence on trial—if it thought it could—but did not even try to do so.

In this connection, Petitioner attempts in footnote 3 on page 2 of its Reply Brief to construe a statement of the Court of Appeals that the royalty base included operations covered by expired patents, as meaning that the royalty base included operations covered *only* by expired patents. The Court of Appeals made no such statement and, in view of the uncontroverted showing of the record, manifestly could have made none.

There is another respect in which Petitioner disregards the record. Petitioner argues that a licensee who wanted a license only under a particular patent or a few patents—whether at the time he first took a license from WSI, or later after exercising a right of termination—had no choice but to pay royalty on all operations within the radioactivity well logging field, including those covered by expired patents. This ignores the heart of WSI's purgation found by both lower courts. As shown on pages 11 to 15 of our main brief, the record shows that every licensee had a real alternative, at either time, of taking a license on reasonable negotiated terms under any one or more patents it wanted, and that, if it so desired, the royalty would be made payable only on a narrower base from which expired and unwanted patents were excluded.

Apart from the above, we believe all of Petitioner's contentions are fully answered in our main brief.

Respectfully submitted,

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Office-Supreme Court, U.S.
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IN THE

# Supreme Court of the United States

OCTOBER TERM, 1965

No. 366

McCULLOUGH TOOL COMPANY, ET AL., *Petitioner,*

v.

WELL SURVEYS, INCORPORATED, ET AL., *Respondent.*

## PETITION FOR REHEARING FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

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## PETITION FOR REHEARING FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

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Petitioner prays that this Court grant rehearing of its order of March 7, 1966 denying the petition for writ of certiorari, — U.S. —, 15 L.Ed. 2d 851, and that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Tenth Circuit in the above-entitled case as prayed for in the petition filed July 19, 1965 herein.

## GROUNDS FOR REHEARING OF PETITION FOR CERTIORARI

This Petition for Rehearing is filed under this Court's Rule 58, paragraph 2, and presents substantial grounds available to Petitioner although not previously presented.

In the original Petition the illegal restraint of competition and control of a licensee's and immunee's* activities outside the WSI patents and conflicts with controlling Supreme Court decisions, were not presented to this Court. There is patent misuse and the use of patents against public policy irrespective of whether or not the case is viewed from the "package licensing" standpoint.

## REVISED QUESTION PRESENTED

Is WSI guilty of patent misuse by illegally restraining competition from selling unpatented radioactivity survey tools and exercising illegal control over unpatented tools and over activities outside the WSI patents by requiring its licensees and immunees to pay royalties on every radioactivity well survey irrespective of the tool used and by preventing its licensees and immunees from transferring (selling) ratioactivity survey tools which are not covered by any WSI patent?

## STATEMENT OF CASE

In these consolidated cases respondent Well Surveys, Incorporated, at one time, charged petitioner McCullough Tool Company with infringement of eighty-five patents. However, respondent went to trial on five

* WSI issued License Agreements and Immunity Agreements. We use the word "immunee" to refer to the parties to the agreements who received immunity from patent infringement suits.

patents.[1] Two of these patents were held invalid, two of the basic patents expired,[2] and one patent, the Swift patent which claims an assembly of a casing collar locator and logging tool, is still alive. Petitioner raised the defense of patent misuse and the Trial Court and Tenth Circuit held there was misuse to and including June 1, 1956, and that respondent had purged on that date and committed no misuse thereafter.

Petitioner contended and still contends that there was misuse by respondent on and after June 1, 1956 because of the agreements which remained in force after that date and new agreements which were signed.

These agreements illegally restrain competition and exercise illegal monopolistic control over unpatented goods; and there is patent misuse on these grounds.

Of the agreements contained in the Book of Agreements, Ex. 501, Nos. 34 and 48 are selected as typical. Copies of these two agreements are attached hereto as Exhibits A and B.

In the original Petition, petitioner did not analyze these agreements in detail, but will do so here in order to bring the facts of the illegal restrictions squarely to the attention of this Court.

Contract 34, Exhibit A of Appendix, is an Immunity Agreement in which WSI granted immunity from suit for infringement under its radioactivity well survey patents, the immunity extending to well surveying by radioactivity methods and instruments.

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[1] Bender Reissue No. Re. 23,226, Fearon No. 2,308,361, Fearon No. 2,390,433, Swift No. 2,554,844, and Fearon Reissue No. 24,226.

[2] Bender Patent No. Re. 23,226, expired on October 18, 1955. Fearon Patent No. 2,308,361, expired on January 12, 1960.

In Paragraph 1.02[3] "Radioactivity Well Surveying" is broadly defined as including any logging or surveying of bore holes by detecting radioactivity effects.

In Paragraph 1.03[4] the term "Field of Radioactivity Well Surveying" is defined as meaning *all methods and apparatus* used for radioactivity well surveying.

In Paragraph 1.04[5] the term "Radioactivity Survey" is defined as including *any logging and surveying operation* in the field of radioactivity well surveying.

Radioactivity well surveying, therefore, covers any method or any instrument whereby a bore hole may be surveyed by the detection of radioactivity effects.

Paragraph 2.01[6] grants an immunity under WSI patents from claims of suit or liability for infringement.

The immunity, however, is "specifically limited to Radioactivity Well Surveying conducted with instruments *other* than those of W.S.I. design or manufacture." (Par. 2.01). In other words, if the immunee uses an instrument manufactured by WSI or an instrument which incorporates a design of WSI, the immunity does not apply.

Also, the immunity is limited to radioactivity well surveying conducted by the immunee for others for hire. Thus, the immunity is restricted to radioactivity surveys for others for hire, using instruments other than those of WSI design or WSI manufacture.

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[3] See Appendix A, page 1a.

[4] See Appendix A, page 2a.

[5] See Appendix A, page 2a.

[6] See Appendix A, page 2a.

Paragraph 2.02[7] gives the immunee the right to extend to its customer an immunity under radioactivity well survey patents, but restricted to the specific surveys upon which royalty is paid.

Paragraph 2.03[8] acknowledges that the immunee must use an instrument to conduct a radioactivity well survey and, therefore, grants to the immunee the right "to make instruments other than of W.S.I. design for its own use and may be extended by COMPANY [the immunee] to instrument manufacturers but any such extension shall be specifically restricted to such instruments made for and actually used by COMPANY pursuant to the terms and conditions of the Agreement". (Par. 2.03).

This paragraph also provides that the immunity "shall cease to exist if this Agreement is terminated or *if the instrument is transferred to a stranger to this Agreement.*" (Par. 2.03). In conclusion this paragraph states that the immunity does not entitle the immunee to WSI know-how or entitle it to purchase instruments of WSI design. In other words, any instrument which the immunee may make or have made must not incorporate any WSI know-how and must not incorporate a WSI design.

This provision gives WSI full control over any instrument made by or for immunee to conduct *any* radioactivity survey. It controls the design of the instrument by requiring that the instrument must *not* be of WSI design and must *not* include WSI know-how. Thus, it is clear that WSI exercises complete control over instruments outside the WSI patent monopoly.

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[7] See Appendix A, page 3a.

[8] See Appendix A, page 3a.

The control exercised by WSI extends to the *manufacture,* to the *use,* and to the *sale* of unpatented instruments. The immunee, or anyone else, should be free to manufacture, to use, and to sell *any* instrument *not covered* by WSI patents.

WSI will not sell instruments to the immunee under this agreement, and at the same time restricts its buying instruments from anyone else *except* a company to which immunity has been extended under the terms of this agreement.

Immunee, by this paragraph, is restrained from purchasing equipment on the open market and from *using* a non-infringing instrument made by a competitor of WSI.

By the terms of this type of agreement, competition is restrained from manufacturing and selling on the open market radioactivity surveying instruments which are not within the scope of any WSI patents.

Paragraph 3.02[9] requires the immunee to pay a royalty on each well surveyed under the grant of immunity. By virtue of the scope of the definitions the immunee is required to pay a royalty on *every* radioactivity well survey which it conducts; and this holds true even though the equipment or methods do not incorporate WSI patent rights.

The immunity to the immunee is *limited* to the *use* of methods and instruments in conducting well surveys for hire for others. There is no right of sale.

The royalty is not based on a fair percentage of the cost of the instrument. The survey companies have few instruments which are used hundreds or thousands of

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[9] See Appendix A, page 4a.

times, each immunee being required to pay 5% down to 2½% of the gross charge made for *every* survey. This results in royalties which, when accumulated, are a relatively high percentage of the actual cost of the instruments. Furthermore, the percentage is not limited to a reasonable charge for the cost of using *the instrument,* but includes a percentage of the gross service charge, including cost of labor in performing the radioactivity well survey.

Contract No. 48 in the Book of Contracts, Ex. 501, Exhibit B in Appendix B, is a Research Service and License Agreement. The definitions of radioactivity well surveying, field of radioactivity well surveying and radioactivity survey, Paragraphs 1.03, 1.04 and 1.05 are the same as in the Immunity Agreement. This License Agreement refers to present as well as future patents in Paragraphs 1.07 and 1.09, and in Paragraph 1.08 refers to "Schlumberger Patents" under which immunity rights are granted.

The granting clause, Paragraph 2.01 grants a non-exclusive, non-transferable license under present WSI patents and is limited to the practicing of radioactivity well surveying for others for hire. This is the same type of restriction which we find in the Immunity Agreement, namely, it refers to a right to perform well surveys with no right to sell.

This paragraph also grants an immunity under Schlumberger patents.

This license differs from the Immunity Agreement in Sections 2.02 and 2.04 under which licensee is required to grant to WSI "grant-back" licenses under present patents (2.02) and future patents (2.04).

The grant-back license is royalty-free and grants to WSI the right to make and sell apparatus, and Paragraph 2.04 includes the rights to sublicense others.

These grant-back clauses constitute an anti-trust violation per se.[10] This defense of unenforceability based on the grant-back clause, however, is separate from and in addition to petitioner's position that the Immunity and License Agreements of WSI are invalid under the Sherman Anti-Trust Act, Paragraphs 1 and 2.

In Paragraph 4.01 the licensee is given the benefit of WSI research and development, and in Paragraph 4.02 the licensee is given the right to purchase from WSI detecting and recording instruments at a reasonable price.

Paragraph 4.03 is similar to Paragraph 2.03 of the Immunity Agreement in that it extends to the licensee the right to make for its own use, or to have made by a company to which licensee extends the right to make instruments for licensee's own use. The extension of a license to a manufacturer, however, "* * * shall be

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[10] "Three months earlier, while speaking at the annual meeting of the American Bar Associations' Antitrust Section (p. A-1, ATRR No. 214, 8/17/65), Mr. Turner (Assistant Attorney General in charge of antitrust) indicated that his interest in patent transactions goes further than the patent-license price-fixing arrangement under attack in the Huck case. 'We shall also eventually seek to establish, contrary to Trans-Wrap [Transparent-Wrap Machine Corp. v. Stokes & Smith Co., 329 U.S. 637 (1947)], that a clause in a patent license requiring the licensee to grant back to the patentee all future improvement patents should be held unlawful per se for the simple reason it is much more restrictive than necessary to protect the patentee's legitimate interests.' 29 A.B.A. Antitrust Section 187, 188. * * * " (Analysis BNA's Antitrust & Trade Regulation Report, 2-22-66, ATRR No. 241, B-1).

specifically restricted to such instruments made for and actually used by LICENSEE pursuant to the terms and conditions of this Agreement and shall cease to exist if this Agreement is terminated or if the instrument is transferred to a stranger to this Agreement * * *".

Under Paragraph 5.01 licensee is required to pay a 15% royalty, which is later reduced to 7½% royalty, the royalty being payable on all radioactivity well surveys conducted by licensee.

## REASONS FOR REHEARING

In granting Judgment for respondents and thus sustaining the validity of the License and Immunity Agreements between WSI and its licensees and immunees, the decisions below are in conflict with a host of decisions condemning the use of patents to illegally restrain competition by exercising control over goods and actions outside the patent monopoly; and are in violation of the Sherman Anti-Trust Law, Sections 1 and 2,[11] and constitute patent misuse.[12]

The respondents here, by definition in their License or Immunity Agreements, and by limitation as to the manufacture, use and transfer of unpatented instruments, are extending their monopoly so as to reach, in practical effect, *any* structure for performing *any* radioactivity well survey, including instruments of competitors as well as new inventions, developments and improvements not yet built and not even conceived.

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[11] See Appendix C, pages 20a and 21a.

[12] There may be patent misuse even though the proofs are insufficient to prove anti-trust violations. *Morton Salt Co.* v. *Suppiger Co.*, 314 U.S. 488, 490; 62 S.Ct. 402, 404; 86 L.Ed. 363. Also *Berlenbach* v. *Anderson*, 329 F.(2d) 782 (C.A. 9).

In *National Lockwasher Co.* v. *George K. Garrett, Inc.*, 137 F.(2d) 256 (C.A. 9, 1943), the sole question with which that Court was concerned was the legality of a patent license agreement which, in the words of the Court:

> "* * * contained a provision to the effect that the licensee agrees, while the agreement is in force, that it will not manufacture any other form of non-tangling spring washers except those covered by the patent in suit. * * *" (p. 256)

That Court, purporting to follow decisions of this Supreme Court, said, in part:

> "We think the instant case, on the facts as the defendant represents them, falls within the principle of the cases cited to the extent that the patentee is using the lawful monopoly granted by the patent as a means of suppressing the manufacture and sale of competing unpatented articles. It is not creating for itself a monopoly for unpatented goods, as in some of the cases cited. *But it is attempting by means other than that of free competition to extend the bounds of its lawful monopoly to make, use and vend the patented device to the extent where such device would be the only one available to a user of such an article. This monopoly is obviously not covered by the patent. A patentee's right does not extend to the use of the patent to purge the market of competing non-patented goods except, of course, through the process of fair competition.*" (p. 256)

That Court, on the basis of evidence which apparently consisted of little more than the existence and terms of such license contracts, said:

> "We think this is enough; enough to show that the plaintiff was using its patent to suppress com-

> petition with it by non-patented articles. To the extent that the policy was successful the supply of competing non-patented washers would, of course, disappear." (p. 257)

Accordingly, the judgment of the District Court was reversed and the case remanded with directions to dismiss the complaint.

The License and Immunity Agreements of respondents exercise the same illegal control and suppression of competition with it by non-patented instruments.

The requirement of a royalty payment on the use of all radioactivity survey instruments will effectively foreclose the market to other manufacturers who produce or may produce non-infringing equipment. The royalty burden imposed on a competitor's non-infringing structures in the form of a royalty penalty for each and every use of non-infringing equipment would discourage licensees or immunees from buying or leasing and using a competitive non-infringing structure or a non-competitive tool for radioactivity survey.

In the usual cases involving illegal restraint of goods outside the patent monopoly the licensee manufactures and sells the patented equipment and is restrained from selling any equipment in competition therewith.

In this present case WSI elects to restrain the licensees and immunees from selling equipment and WSI makes its royalty profit *not* on the sale, but grants rights limited to use of equipment and charges a royalty each time a radioactivity survey tool is used. Since the licensee or immunee pays a royalty each time it makes a radioactivity survey it becomes immaterial to WSI's income whether this equipment is or is not within the scope of any WSI patent. The

restraint is not in the refusal to let the licensee or immunee use non-infringing equipment; but is in the placing of a royalty payment on each use of non-infringing equipment which gains revenue for WSI, even though its patented inventions are not used. This control extends beyond the patent monopoly and places a royalty penalty on the use of competitive non-infringing radioactivity survey equipment.

WSI (while refusing to sell, see 2.03 of Exhibit A) licenses the immunee to make for itself or to have made by a person to whom immunity has been granted, radioactivity survey tools (other than WSI design) which the immunee will use in its performance under the Agreement.

This limitation precludes immunees from purchasing of instruments sold *on the open market* by a competitor of WSI.

The building up of costs by the imposition of additional royalties on competitive structures is a serious restraint to competition because customers would not be willing to pay a service charge which includes double royalties (one royalty which the competitive manufacturer would charge and a second royalty which WSI charges on the same use). The compounding of royalties by requiring payments for *each use* of a radioactivity survey instrument would amount to so much over a period of time that an immunee, even if he might desire to, in order to use a competitive tool, would find it economically disastrous to attempt to absorb 5% or even 2½% royalty each time the competitive non-infringing tool is used.

The imposition of double royalties imposes higher costs on the customer because the royalty for each use

is not based on the value of the use of the tool, but also includes royalty payments on the worker's time, as well as any cost involved in the gross charge, except mileage (Immunity Agreement, Exhibit A, Paragraph 3.02).

Obviously, if the immunee did not have to pay the additional royalty on the use of unpatented goods the price of the service to the customer would be lower.

Royalty payments on the use of non-patented instruments is a form of price control. By requiring a licensee or immunee to pay a royalty to respondents in addition to the royalty which must be paid to the competitor for the non-infringing competitive device, the service performed by the competitive device is necessarily priced higher.

The decisions of the Courts below are in conflict with this Court's decision in *Morton Salt Co.* v. *Suppiger Co.*, 314 U.S. 488. In that case respondent brought suit against petitioner for infringement of a machine for depositing salt tablets in tablet form in the contents of cans in the canning industry. The respondent, by agreement, required its licensees to use, with the patented machines, only tablets sold by respondent. Petitioner charged this restriction to violate Paragraph 3 of the Clayton Act, 15 U.S.C. 14. This Supreme Court stated that the question which must be decided is not necessarily whether respondent had violated the Clayton Act, but "* * * whether a court of equity will lend its aid to protect the patent monopoly when respondent is using it as the effective means of restraining competition with its sale of an unpatented article." (p. 490)

The Supreme Court expressed the basic principle:

> "* * * A patent operates to create and grant to the patentee an exclusive right to make, use and vend the particular device described and claimed in the patent. But a patent affords no immunity for a monopoly not within the grant, *Interstate Circuit* v. *United States,* 306 U.S. 208, 228, 230; *Ethyl Gasoline Corp.* v. *United States,* 309 U.S. 436, 456, * * *" (p. 491)

> "* * * But the public policy which includes inventions within the granted monopoly excludes from it all that is not embraced in the invention. It equally forbids the use of the patent to secure an exclusive right or limited monopoly not granted by the Patent Office and which it is contrary to public policy to grant." (p. 492)

The Lower Courts' decisions are in conflict with the *Morton Salt Co.* case because those Lower Court decisions, in fact, hold that the respondents may control unpatented goods and restrain competition, yet, at the same time, maintain their patents in a Court of equity. The Supreme Court in the *Morton Salt Co.* case emphatically laid down the law that a patentee cannot do this:

> "* * * It is the adverse effect upon the public interest of a successful infringement suit, in conjunction with the patentee's course of conduct, which disqualifies him to maintain the suit, regardless of whether the particular defendant has suffered from the misuse of the patent. * * * The patentee, like these other holders of an exclusive privilege granted in the furtherance of a public policy, may not claim protection of his grant by the courts where it is being used to subvert that policy." (p. 494)

The Trial Court and Tenth Circuit decisions are in conflict with *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661. In that case Mid-Continent was using its patent to control the sale of an unpatented element of a combination claimed in the patent in suit. The Supreme Court in its decision referred to a number of cases including the *Morton Salt Co.*, case, 314 U.S. 488, and *B. B. Chemical Co.* v. *Ellis*, 314 U.S. 495, commenting that "* * * both direct and contributory infringement suits were disallowed on a showing that the owner of the patent was using it 'as the effective means of restraining competition with its sale of an unpatented article.' * * *" (p. 665), but said "* * * we can see no difference in principle where the unpatented material or device is itself an integral part of the structure embodying the patent." (p. 665)

The Supreme Court in *Mercoid* carefully considered the question of using a patent to control *activities* outside the monopoly of the patent, and we respectfully submit, laid down the broad principle that any such control, regardless of the means employed, constitutes a misuse of the patent monopoly. We quote as follows:

> "The instant case is a graphic illustration of the evils of an expansion of the patent monopoly by private engagements. The patent in question embraces furnace assemblies which neither the patentee nor the licensee makes or vends. The struggle is not over a combination patent and the right to make or vend it. The contest is solely over unpatented wares which go into the patented product. Respondents point out that the royalties under the license are measured by the number of unpatented controls which are sold and that no royalty is paid unless a furnace covered by the patent has been installed. But the fact remains that the competition which is sought to be con-

trolled is not competition in the sale of the patented assembly but merely competition in the sale of the unpatented thermostatic controls. * * *" (pp. 666-667)

The use which WSI controls is not the use of tools covered by its patents, but the use of *any* radioactivity survey tool:

"* * * The patent is employed to protect the market for a device on which no patent has been granted. But for the patent such restraing on trade would plainly run afoul of the anti-trust laws. If the restraint is lawful because of the patent, the patent will have been expanded by contract. That on which no patent could be obtained would be as effectively protected as if a patent had been issued. Private business would function as its own patent office and impose its own law upon its licensees. It would obtain by contract what letters patent alone may grant. Such a vast power 'to multiply monopolies' at the will of the patentee (Chief Justice White dissenting in Henry v. A. B. Dick Co., supra, p. 53) would carve out exceptions to the anti-trust laws which Congress has not sanctioned. * * *" (p. 667)

The principle is not only applied to control over patented products, but also applies to the control of a licensee's or immunee's *conduct.* In *Ethyl Gasoline Corp.* v. *United States,* 309 U.S. 436, 456, the Supreme Court stated that a licensor may not:

"* * * condition the license so as to control conduct by the licensee not embraced in the patent monopoly, *Standard Sanitary Mfg. Co.* v. *United States,* 226 U.S. 20; *Interstate Circuit* v. *United States,* 306 U.S. 208, 228-230; * * *"

The Lower Courts' opinions are also in conflict with this Court's opinion in *Walter C. Brulotte, et al.* v.

*Thys Company,* 379 U.S. 29, 13 L.Ed. 2d. 99, 85 S.Ct. 176 (1964). In that case respondent owned various patents on hop-picking machines and sold a machine to each petitioner for a flat sum and issued a license for its use. Seven of the patents were incorporated in the machines and all seven patents had expired.

After the dates of expiration of the patents, the licensor continued to enforce the license agreement, which license required royalties for use of the machines both before and after expiration of the patents and also the license agreements prevented assignment of the machines or their removal from Yakima County *after,* as well as before, the expiration of the patents.

The Supreme Court found:

> "* * * The present licenses draw no line between the term of the patent and the post-expiration period. The same provisions as respects both use and royalties are applicable to each. The contracts are, therefore, on their face a bald attempt to exact the same terms and conditions for the period after the patents have expired as they do for the monopoly period. * * *
>
> "In light of those considerations, we conclude that the use by a patentee of royalty agreements that project beyond the expiration date of the patent is unlawful *per se.* If that device were available to patentees, the free market visualized for the post-expiration period would be subject to monopoly influences that have no proper place there." (p. 102)

Respondents' License and Immunity Agreements draw no distinction between instruments which are within or outside unexpired patents. A royalty for use must be paid on instruments not covered by WSI patents.

The second point of similarity is that the unpatented tools cannot be transferred (sold) to others (except to another licensee or immunee).

Thus it will be seen that respondents' License and Immunity Agreements accomplish exactly the same illegal acts as the license agreements in the *Brulotte* case, namely, to control the use of unpatented structures by requiring royalty payments for their use, and restriction of the sale or transfer of unpatented products.

If we consider the question of restraint from the standpoint of the expiration of the Bender and Fearon patents "* * * the free market visualized for the post-expiration period [of the Bender and Fearon patents] would be subject to monopoly influences that have no proper place * * *" (paraphrasing quotation from *Brulotte* opinion).

It should be noted that in a subnote the Supreme Court distinguishes from *Automatic Radio Co.* v. *Hazeltine,* 339 U.S. 827, stating: "* * * But that aspect of the case is likewise not apposite here for the present licensees are farmers using the machines, not manufacturers buying the right to incorporate patents into their manufactured products." (p. 102)

The licensees and imunees of WSI are well surveyors which *use* radioactivity survey instruments and *are not manufacturers* buying the right to incorporate patents into their manufactured products.

The concluding statement of the Supreme Court in *Brulotte* is also squarely in point:

> "* * * The exaction of royalties for use of a machine after the patent has expired is an assertion

> of monopoly power in the post-expiration period when, as we have seen, the patent has entered the public domain. We share the views of the Court of Appeals in *Ar-Tik Systems, Inc.* v. *Dairy Queen, Inc.*, 302 F. 2d 496, 510, that after expiration of the last of the patents incorporated in the machines 'the grant of patent monopoly was spent' and that an attempt to project it into another term by continuation of the licensing agreement is unenforceable." (p. 103)

It is believed that this language is equally applicable to the WSI agreements which exercise control by royalty payments for use and restraint of sale or transfer of radioactivity well survey instruments not covered by any WSI patents.

The legal effect of these contractual limitations on the licensee or immunee is to extend the scope of the WSI patents to embrace all radioactivity well survey tools. It does this by disregarding or nullifying the claims of its patents and by substituting its own definition of the illegal monopoly it is imposing on the public. It is as bad as the original monopolies granted by the Crown of England; for example, the exclusive right to sell salt.

As an illustration the Bender Patent No. Re. 23,226, covering method and apparatus for gamma ray logging and the Fearon Patent No. 2,308,361 covering method and apparatus for neutron logging, expired Oct. 18, 1955 and Jan. 12, 1960, respectively. The methods and apparatus covered by those patents have been, since those dates, in public domain (WSI has already received its full seventeen-year monopoly), yet the public is still deprived of its legal right to the uses of these methods and apparatus by WSI's illegal control exer-

cised over the licensees' and immunees' activities in radioactivity well survey and the transfer (sale) of unpatented radioactivity well survey tools.

The definitions under which royalties are paid require a royalty every time a radioactivity well survey tool is used. Therefore, by means of an agreement tied to WSI's patent grants, WSI is exercising the same power of control as it would have if it had a patent which described the survey apparatus solely in terms of the operations performed by that apparatus.

The attempt broadly to claim a patent on the operation performed by an invention is invalid, for it runs counter to the well-established doctrine that a patent may not be granted on a function. The rationale of the cases denying the validity of a patent on a function shows their relevance to the situation under consideration. In *Holland Furniture Co.* v. *Perkins Glue Co.*, 277 U.S. 245, 48 S. Ct. 474 (1925), the Court said (p. 257):

> "* * * A claim so broad, if allowed, would operate to enable the inventor who has discovered that a defined type of starch answers the required purpose to exclude others from all other types of starch and so foreclose efforts to discover other and better types. The patent monopoly would thus be extended beyond the discovery and would discourage rather than promote invention. *Re Incandescent Lamp Patent, supra,* 476. That the patentee may not by claiming a patent on the result or function of a machine extend his patent to devices or mechanisms not described in the patent is well understood. * * *"

WSI is undertaking to extend the monopoly embraced in its patent so as to reach in practical effect all of the functions performed by the patented device

(viz., the functions of performing surveying a well by detecting neutral or charged particles or electromagnetic radiations along a borehole). If WSI is successful it will in substance have been able to protect a claim broader than that on which a patent could be issued by the Patent Office. *Incandescent Lamp Patent,* 159 U.S. 465, 16 S. Ct. 75 (1895); *O'Reilly* v. *Morse,* 15 How. 62, 120 (1853); *General Electric Co.* v. *Wabash Appliance Corp.,* 304 U.S. 364, 58 S. Ct. 899 (1938).

The Tenth Circuit erred in following the *Automatic Radio Mfg. Co.* v. *Hazeltine Research* case, 339 U.S. 827. The facts of that case are very different from the facts of the present case. In *Hazeltine* the suit was between a licensor and licensee under a license agreement to collect unpaid royalties. The licensor is a research organization and the licensee is a *manufacturer* of raidos. Under the license, the licensee paid a *nominal* 1% royalty based on the selling price of all products it manufactured. The licensee paid a single royalty on each device manufactured in exchange for the right to incorporate in its products any one or more of the patents and applications owned by licensor. The royalty provision of the license agreement was sustained on the theory that it was a convenient mode of operation designed by the parties to avoid the necessity of determining whether each type of petitioner's product embodied any of the Hazeltine patents.

Under the facts of the case the Supreme Court held that the parties had selected a reasonable way of collecting royalties and "* * * it is not *per se* a misuse of patents to measure the consideration by a percentage of the licensee's *sales.*" (p. 834)

In our present case, however, the licensees and immunees of WSI are well surveyors who use radioactivity survey instruments on survey jobs for customers. They do not sell the equipment, they only use it. They are not manufacturers paying for the privilege of using any one or more of the WSI patents in instruments of their manufacture.

This was one ground in which the Supreme Court distinguished *Brulotte* from *Hazeltine*. In subnote 5 on page 102, the Supreme Court said:

> "5. The petition for certiorari did not in the questions presented raise the question of the effect of the expiration of any of the patents on the royalty agreement. Also, the Hazeltine license, which covered many patents, exacted royalties for patents never used. But that aspect of the case is likewise not apposite here for the present licensees are farmers using the machines, not manufacturers buying the right to incorporate patents into their manufactured products."

Where the licensee in *Hazeltine* paid a single royalty on each device manufactured, WSI licensees and immunees are required to pay a royalty each time a radioactivity survey tool is used. Thus, they are paying royalties hundreds of times on each single tool (and this, of course, is irrespective of whether the tool comes within any of the WSI patents).

In our present case there is no problem as to accounting. Where the licensee of *Hazeltine* made thousands of radios the licensee or immunee of WSI uses but a few tools, but they use the tools over and over again. It would be a simple matter to have an inspection of the two or three tools which the licensee or immunee intended to use and to once and for all make a

determination of whether or not the tools came within the scope of any WSI patents.

Thereafter, the user would then make an accounting for each use of each tool which had been determined to come within the WSI patents. Each tool would be given a serial number or identification and it, therefore, would be a very simple matter to make monthly accountings on the royalties due.

In the *Hazeltine* case there was no restraint on the sale of any product whether patented or not. In our present case, WSI restrains the licensees and immunees from transferring (selling) the radioactivity instruments to anyone other than a licensee or immunee of WSI.

It is respectfully submitted that the facts are so different that *Hazeltine* cannot be controlling as to the law of our present case. In fact, in *Brulotte* the Supreme Court has already so held. If *Hazeltine* should be a case which stands in the way of preventing WSI's violation of the anti-trust laws and restraint of competition, then we believe it is time to review the *Hazeltine* case and either overrule it or limit it so that it will not serve as a means for enabling patent misuse and restraint of trade.

## CONCLUSION

Clearly, the *rationale* of many prior decisions of this Court is that a patentee may not use the leverage of his patent to restrain trade in products not covered thereby. *Motion Picture Patents Company* v. *Universal Film Manufacturing Company, et al.*, 243 U.S. 502 (1917); *Carbice Corporation of America* v. *American Patents Development Corporation, et al.*, 283 U.S.

27 (1931); *Leitch Manufacturing Company* v. *Barber Company*, 302 U.S. 458 (1938); *Morton Salt Company* v. *G. S. Suppiger Company*, 314 U.S. 488 (1942); *B. B. Chemical Company* v. *Ellis, et al.*, 314 U.S. 495 (1942); *Mercoid Corporation* v. *Mid-Continent Investment Company, et al.*, 320 U.S. 661 (1944). This principle is applicable not only to the enlargement of the patent monopoly for the exploitation of an unpatented article, but is equally applicable to the enlargement for the exploitation of the monopoly of another patent. *Ethyl Gasoline Corporation, et al.* v. *United States*, 309 U.S. 436, 459 (1940). And "the method by which the monoply is sought to be extended is immaterial," *Mercoid Corporation* v. *Mid-Continent Investment Company, et al.*, 320 U.S. 661, 666 (1944). Accord: *United States* v. *Univis Lens Company, Inc., et al.*, 316 U.S. 241, 251-252 (1942).

This Court has granted certiorari to review decisions involving novel and important questions concerning the application of the doctrine of unclean hands and restraint of trade in patent cases, and involving important questions relating to the validity under the anti-trust laws of conditions in patent license agreements which may step outside the bounds of the patent monopoly. *Keystone Driller Co.* v. *General Excavator Co.*, 289 U.S. 721 (1933), *Adams Grease Gun Corp.* v. *Bassick Mfg. Co.*, 285 U.S. 531 (1932), *Vulcan Manufacturing Co.* v. *Maytag Co.*, 293 U.S. 553 (1935).

The Supreme Court by its decisions has laid down the law and guidelines on most of the devices employed by patentees to extend their patent monopolies to unpatented goods and activities; however, there appears to be this one gap which should be plugged. The type

of licenses and immunity agreements employed by WSI have been deftly planned and worded to enable WSI to illegally prevent competition from selling or leasing unpatented tools in competition with WSI, to enable WSI to collect royalties on all radioactivity well surveys, even those performed by radioactivity tools outside the scope of the WSI patents, and to enable WSI to restrain its licensees and immunees from transferring to third parties any radioactivity survey tools including those outside the scope of WSI patents.

Petitioner respectfully submits that the doctrine of the *Morton Salt* case, the *Mercoid* case, the *National Lockwasher* case, and the *Brulotte* case, does make the WSI License and Immunity Agreements illegal and a misuse of their patents; however, there is a dire need for the Supreme Court to further define the scope of these important misuse cases and related cases so that Trial and Appellate Courts, the members of the Bar, and the public will have definite and exact instructions with respect to the type of agreement involved in the present Petition.

The type of patent license and immunity agreements involved in this present litigation implements and enables an abuse of the patent monopoly which is just as serious and just as far reaching as in the *Morton Salt* case, the *Mercoid* case, the *National Lockwasher* case, the *Brulotte* case, or many of the other cases reviewed by this Court. It seems safe to say that this type of patent misuse will continue, misuse defenses in infringement litigation will continue to be urged, until this Court makes an announcement of the law

with respect to this type of agreement and this type of misuse.

Respectfully submitted,

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## CERTIFICATE OF COUNSEL

I hereby certify that the foregoing petition for rehearing is presented in good faith and not for delay and is restricted to grounds specified in Rule 58 of the rules of this Court.

Respectfully submitted,

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Washington, D. C. 20036

*Attorney for Petitioner*

## EXHIBIT A

## APPENDIX A

### Immunity Agreement

THIS AGREEMENT effective as of the 1st day of July, 1953, is made by and between WELL SURVEYS, INCORPORATED, of Tulsa, Oklahoma a corporation of Delaware, hereinafter called "W.S.I.", and DOWELL, INCORPORATED, of Tulsa, Oklahoma, a corporation of Delaware, hereinafter called "Company"

I. RECITALS AND DEFINITIONS.

1.01 W. S. I. is possessed of certain patents and rights with respect to patents in the Field of Radioactivity Well Surveying and Company desires the right to conduct Radioactivity Well Surveying operations for hire with immunity from liability for infringement of Radioactivity Well Surveying ("R.W.S.") Patents as hereinafter defined.

1.02 The term "Radioactivity Well Surveying" as used herein shall mean logging or surveying bore holes by detecting along a bore hole neutral particles, or charged particles, or electromagnetic radiations, coming either from the nucleus or from the outer particles of the atom, or any other radioactive effects or radioactive radiations or combinations thereof emanating from the material within or traversed by the bore hole, whether these emanations represent a natural condition or result from irradiating the formation with either neutral particles or charged particles or electromagnetic radiations or any combination of them, or are the result of a treatment of the formation or the bore hole capable of giving rise to such emanations, and the utilization of these received radiations or particles to derive information concerning the nature or contents of the formation or the bore hole. The term "electromagnetic radiations" as used herein shall mean radiations having frequencies greater than that of ultraviolet light.

1.03 The term "Field of Radioactivity Well Surveying" as used herein shall mean all methods and apparatus used for Radioactivity Well Surveying.

1.04 The term "Radioactivity Survey" as used herein shall mean and include any logging and surveying operation in the Field of Radioactivity Well Surveying.

1.05 The term "R.W.S. Patents" as used herein shall mean (a) any and all United States patents owned by W.S.I. and (b) any and all United States patents owned by Lane-Wells Company, (a Delaware corporation) which patents have statutory terms expiring on or before December 31, 1967, and, which during the term of this Agreement, would be infringed by a method or apparatus in the Field of Radioactivity Well Surveying.

1.06 The term "Radioactivity Tracer Logging Service" shall mean either of the following: (a) a well logging service in which a radioactive tracer material is introduced into a single well (wherein a Radioactivity Survey may or may not have been previously conducted) and in which one or more Radioactivity Surveys are subsequently conducted in said well to obtain information regarding the effect of said tracer material; or (b) a well logging service wherein a radioactive tracer material is introduced into a control well (wherein a Radioactivity Survey may or may not have been previously conducted) and in which one or more Radioactivity Surveys are conducted in one or more adjacent wells for the purpose of obtaining information regarding transmission of said tracer material from said control well to said adjacent wells.

II. Grants.

2.01 W.S.I., warranting that it has the right to do so, hereby grants to Company upon the terms and conditions hereinafter stated, a non-exclusive, non-transferable (except as hereinafter specified) immunity from any claim,

suit or liability for infringement of R.W.S. Patents arising from Radioactivity Well Surveying conducted by Company during the term of this Agreement. This immunity is specifically limited to Radioactivity Well Surveying conducted with instruments other than those of W.S.I. design or manufacture. It is also specifically restricted to Radioactivity Well Surveying conducted by Company for others for hire, provided, however, that experimentation by Company in the Field of Radioactivity Well Surveying of a purely research or development nature without consideration of any kind flowing to Company from another shall not violate this restriction or give rise to a claim for royalty.

2.02 Company shall have the right to extend to each of its customers with each Radioactivity Well Surveying operation conducted by Company an immunity under R.W.S. Patents, such immunity being specifically restricted to the specific survey upon which royalty is paid under the provisions of Section 3.02.

2.03 Since the Radioactivity Well Surveying described in Section 2.01 requires the use of instruments the immunity therein granted shall include the "right in Company to make instruments other than of W.S.I. design for its own use and may be extended by Company to instrument manufacturers but any such extension shall be specifically restricted to such instruments made for and actually used by Company pursuant to the terms and conditions of the Agreement and shall cease to exist if this Agreement is terminated or if the instrument is transferred to a stranger to this Agreement" except in the event such transferee has a similar Agreement with W.S.I. in which event the instrument shall be considered as having been made for such transferee. This immunity does not entitle Company to W.S.I. "know-how" nor does it entitle Company to purchase instruments of W.S.I. design.

2.04 W.S.I. hereby grants to Company a non-exclusive, non-transferable release from any claim, suit or liability

for infringement of R.W.S. Patents arising out of acts which occurred prior to the date of this Agreement.

III. PAYMENTS.

3.01 Company agrees to pay W.S.I. cash consideration in the sum of Twenty-Five Hundred ($2,500.00) Dollars upon execution and delivery of this Agreement.

3.02 Company agrees to pay W.S.I. as royalty on each well surveyed under the grant of immunity set forth in Section 2.01 an amount equal to five (5%) percent of the gross charge (exclusive of mileage) made for the survey so conducted, provided that until such time as fifty (50%) percent of the total royalty payable under this Agreement at the rate of five (5%) percent shall equal the sum of Twenty-Five Hundred ($2,500.00) Dollars, Company shall actually pay W.S.I. an amount equal to two and one-half (2½%) percent of said gross charge.

3.03 In the event that a service involving Radioactivity Well Surveying is one of a combination of several different services conducted by Company for the same customer on the same setup, at the same well, and for a single price which is different from the total of the individual charges customarily made by Company for such services if performed separately, the "gross charge" for determining the royalty payable on such service involving Radioactivity Well Surveying shall be that proportion of the single price charged for said combined service which the individual charge customarily made by Company for the particular service involving Radioactivity Well Surveying bears to the total of the individual charges made by Company for each of such services if performed separately. For the purposes of this Section 3.03, a Radioactivity Tracer Logging Service shall be construed as "on the same setup" and "at the same well" even though successive setups or a plurality of wells are actually employed in rendering such a service.

3.04 On or before the 20th day of each month Company shall furnish W.S.I. with a report in writing setting forth the following information pertaining to each well survey performed under the grant of immunity set forth in Section 2.01 during the preceding calendar month:

(a) Customer;

(b) Invoice number;

(c) Date of invoice;

(d) Name of state in which well is located;

(e) Amount on which royalty is payable;

and a summary including:

(f) Total for all well surveys, of amounts specified in Item (e) above;

(g) Total royalties payable (Item (f) multiplied by royalty rate).

Each statement shall be accompanied with payment for the full amount of the total royalty payable for the month in question. In the event that exceptions are made to regular rate charges, the exceptions shall be noted in the report and the reasons given therefor.

3.05 Company shall fix charges for surveying operations conducted hereunder in its sole discretion and agrees that they shall be commensurate with the cost and value of said operations, it being the intention of the parties that each survey performed hereunder shall be priced on its own merit and not purposely priced lower than necessary for the purpose of attracting other business.

3.06 Company shall keep records adequate to compute the royalties and verify the reports and payments made pursuant to Section 3.04 and W.S.I. shall have access during regular business hours to Company's records to the extent and only to the extent necessary to verify said reports and payments.

IV. TERMINATION.

4.01 If Company shall neglect or fail to render reports and make payments as and when due hereunder or shall otherwise be in default of any obligation under this Agreement, under the License Extension Agreement in writing dated July 1, 1953, between the parties hereto or under any Agreement between the parties hereto relating to the Field of Radioactivity Well Surveying, W.S.I. shall have the right to give written notice thereof to Company and if, within sixty (60) days from and after the date of such notice Company shall not have cured such default, then W.S.I. may, at its option, cause this Agreement to terminate forthwith by giving written notice to that effect to Company.

4.02 Company may terminate this Agreement as of the fifth anniversary date hereof or as of any successive anniversary date thereafter by giving W.S.I. written notice of cancellation at least sixty (60) days prior to the anniversary date on which cancellation is to take effect.

4.03 Unless otherwise terminated pursuant to the provisions hereof, this Agreement shall continue in full force and effect until December 31, 1967, or until the expiration date of the last patent to expire under which Company is granted immunity by this Agreement, whichever date first occurs.

4.04 Termination of this Agreement shall not affect the obligations of Company to make any payments which shall have accrued up to the date of such termination, and the fact that W.S.I. shall not have terminated this Agreement pursuant to Section 4.01 because of one or more defaults by Company shall not prejudice the right of W.S.I. to effect termination for a subsequent default.

V. MISCELLANEOUS.

5.01 This Agreement may be assigned by Company to a successor of its entire Radioactivity Well Surveying busi-

ness which successor shall subscribe to the terms and conditions hereof, but shall not be otherwise assignable by Company without the written consent of W.S.I.

5.02 The addresses of the parties hereto, for the purpose of notices, payments and other communication provided for herein, shall be as follows:

WELL SURVEYS, INCORPORATED
P. O. Box 2656
Tulsa, Oklahoma

DOWELL, INCORPORATED
P. O. Box 536
Tulsa, Oklahoma

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their proper officers duly authorized and their corporate seals to be affixed as of the date first named herein.

WELL SURVEYS, INCORPORATED

By CHAS. E. DULLER
*President*

ATTEST:

ROBERT K. SCHUMACHER
*Secretary*

DOWELL, INCORPORATED

By JOHN G. STAUDT
*Exec. Vice President*

ATTEST:

CALVIN A. CAMPBELL
*Secretary*

## EXHIBIT B

## APPENDIX B

### Research-Service and License Agreement

THIS AGREEMENT is made this 1st day of April, 1957, by and between WELL SURVEYS, INCORPORATED, of Tulsa Oklahoma, a corporation of Delaware, hereinafter called "W.S.I.", and WIRELINE, INC., of Williston, North Dakota, a corporation of Delaware, hereinafter called "LICENSEE".

I. RECITALS AND DEFINITIONS.

1.01 W.S.I. is a research organization working in the Field of Radioactivity Well Surveying which has developed and proven commercially certain methods and apparatus for surveying wells and which is conducting continued research in said field looking toward new developments and improvements in said field.

1.02 Licensee desires to obtain the benefit of W.S.I. research as embodied in Radioactivity Well Surveying methods and apparatus and a license under W.S.I. Patents to conduct Radioactivity Well Surveying operations for hire, and Licensee further desires that W.S.I. shall undertake to provide Licensee the opportunity to obtain such apparatus of W.S.I.'s design.

1.03 The term "Radioactivity Well Surveying" as used herein shall mean logging or surveying bore holes by the detection along a bore hole of neutral particles, charged particles or electromagnetic radiations coming either from the nucleus or from the outer particles of the atom or any other radioactive effects or radioactive radiations or combinations thereof emanating from the material within or traversed by the bore hole, whether these emanations represent a natural condition or result from irradiating the formation with neutral particles, charged particles or electromagnetic radiations or any combination of them or are the result of a treatment of the formation or the bore hole

capable of giving rise to such emanations, and by the utilization of these received radiations or particles to derive information concerning the nature or contents of the formation or the bore hole. The term "electromagnetic radiations" as used herein shall mean radiations having frequencies greater than that of ultraviolet light.

1.04 The term "Field of Radioactivity Well Surveying" as used herein shall mean all methods and apparatus used for Radioactivity Well Surveying.

1.05 The term "Radioactivity Survey" as used herein shall mean and include any logging and surveying operation in the Field of Radioactivity Well Surveying.

1.06 The term "Radioactivity Tracer Logging Service" shall mean either of the following: (a) a well logging service in which a radioactive tracer material is introduced into a single well (wherein a Radioactivity Survey may or may not have been previously conducted) and in which one or more Radioactivity Surveys are subsequently conducted in said well to obtain information regarding the effect of said tracer material; or (b) a well logging service wherein a radioactive tracer material is introduced into a control well (wherein a Radioactivity Survey may or may not have been previously conducted) and in which one or more Radioactivity Surveys are conducted in one or more adjacent wells for the purpose of obtaining information regarding transmission of said tracer material from said control well to said adjacent wells.

1.07 The term "Present Patents" as used herein shall mean United States patents owned or controlled by the granting party in the sense of having the right to grant licenses thereunder without accounting to others, which patents are based on inventions made on or before the date upon which the first instrument for use under this Agreement is delivered to Licensee and, if unlicensed, would be infringed by a method or apparatus in the Field of Radioactivity Well Surveying.

1.08 The term "Schlumberger Patents" as used herein shall mean United States patents now or hereafter owned by Schlumberger Well Surveying Corporation to the extent that such patents claim inventions disclosed in applications filed in the United States Patent Office on or prior to January 1, 1951, and to the extent that such patents, if unlicensed, would be infringed by a method or apparatus in the Field of Radioactivity Well Surveying.

1.09 The term "Future Patents" as used herein shall mean United States patents other than Present Patents owned or controlled by the granting party in the sense of having the right to grant licenses thereunder without accounting to others which patents are based on inventions made prior to the Cut-Off Date and, if unlicensed, would be infringed by a method or apparatus in the Field of Radioactivity Well Surveying.

1.10 The term "Cut-Off Date" as herein used shall mean the termination date of this Agreement unless the Licensee, pursuant to the provisions of Article III, specifies a different date, in which event it shall mean the date so specified by Licensee.

II. GRANTS.

2.01 W.S.I. hereby grants to Licensee non-exclusively and non-transferably (except as hereinafter specified):

(a) a license under Present Patents of W.S.I. to practice Radioactivity Well Surveying for others for hire; and

(b) an immunity from any claim, suit or liability for infringement of Schlumberger Patents arising from Radioactivity Well Surveying for others for hire in bore holes which have been drilled or used in connection with the search for or the ultimate production of oil or gas.

2.02* Licensee hereby grants to W.S.I., for Radioactivity Well Surveying and for making, having made and selling apparatus therefor and for experimentation of a purely research or development nature in the Field of Radioactivity Well Surveying, a non-exclusive, fully-paid license and right to sub-license others under the Present Patents of Licensee.

2.03 W.S.I. hereby grants to Licensee under the Future Patents of W.S.I. a non-exclusive, non-transferable (except as hereinafter specified) license to practice Radioactivity Well Surveying for others for hire and agrees to keep Licensee currently informed with respect to developments forming the basis for Future Patents, provided, however, that W.S.I. may, in keeping Licensee informed as aforesaid, exercise reasonable precautions against the disclosure of any invention which would be premature with respect to the status of the development or the status of any application for patent thereon.

2.04 Licensee hereby grants to W.S.I., for Radioactivity Well Surveying and for making, having made and selling apparatus therefor and for experimentation of a purely research or development nature in the Field of Radioactivity Well Surveying, a non-exclusive, fully-paid license under the Future Patents of Licensee together with the non-exclusive, fully-paid right to extend sub-licenses under the Future Patents of Licensee, for Radioactivity Well Surveying only, to other W.S.I. licensees who shall grant to W.S.I. a similar sub-licensing right inuring to the benefit of Licensee, provided that W.S.I. shall not have the right to extend to another W.S.I. licensee a license under

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* NOTE: If a prospective LICENSEE believes it has Present Patents of significant value which would be affected by the grant in Section 2.02 and so advises W.S.I., then this provision of the form shall become the subject of negotiation looking toward its elimination or an agreement between W.S.I. and the prospective LICENSEE upon some further consideration to support this grant.

Licensee's Future Patents which are based on inventions made subsequent to the Cut-Off Date in the Agreement between W.S.I. and such other licensee.

2.05 Experimentation conducted by Licensee, in the Field of Radioactivity Well Surveying, which is of a purely research or development nature and for which Licensee receives no consideration from a stranger to this Agreement shall be considered licensed hereunder and shall not give rise to a claim for additional royalty.

III. Modification of Cut-Off Date.

3.01 Upon execution and delivery of this Agreement or at any time thereafter Licensee may notify W.S.I. in writing that the Cut-Off Date shall be either

(a) the date upon which the first instrument for use under this Agreement is delivered to Licensee by W.S.I. or a W.S.I. licensed manufacturer, provided such delivery has not been made priod to the notice, or

(b) any other date subsequent to that specified in (a), at least six (6) months subsequent to the date of the notice and prior to the termination date of this Agreement.

3.02 The Cut-Off Date may be extended successively by Licensee pursuant to the provisions of Section 3.01, provided that notice of such extension is given to W.S.I. prior to the Cut-off Date specified in the next preceding notice, and may not be further extended by an ynotice given subsequent to the Cut-Off Date specified in the next preceding notice.

IV. Research, Equipment and Service.

4.01 W.S.I. intends to continue its active program of research and development work in the Field of Radioactivity Well Surveying. During the term of this Agreement and

subject to the provisions of Section 2.03, W.S.I. shall afford Licensee the benefits of such research and development work.

4.02 W.S.I. shall exercise its best efforts to maintain a source from which Licensee can procure at a reasonable price detecting and recording instruments of good quality incorporating results of W.S.I. research and development work for use under this Agreement. W.S.I. shall similarly cooperate with Licensee relative to repairs and replacements for said instruments.

4.03 Since the Radioactivity Well Surveying described in Sections 2.01 and 2.03 requires the use of instruments, the licenses therein granted shall include the right in Licensee to make instruments for its own use and such right may be extended by Licensee to instrument manufacturers, but any such extension shall be specifically restricted to such instruments made for and actually used by Licensee pursuant to the terms and conditions of this Agreement and shall cease to exist if this Agreement is terminated or if the instrument is transferred to a stranger to this Agreement except in the event such transferee has a license under W.S.I. patents to use such instrument, in which event the instrument shall be considered as having been made for such transferee. Nothing herein contained shall be construed as requiring W.S.I. to give any aid or assistance to Licensee in the manufacture of instruments or equipment by Licensee or its agents for use hereunder.

V. PAYMENTS.

5.01 Licensee agrees to pay W.S.I. cash consideration in the sum of Five Thousand Dollars ($5,000.00) Dollars upon execution and delivery of this Agreement.

5.02 Licensee agrees to pay W.S.I. as royalty on each well surveyed under this license granted by W.S.I. herein an amount equal to fifteen (15%) percent of the gross

charge (exclusive of mileage) made for the surveys so conducted, provided that, until such time as fifty (50%) percent of the total royalty payable under this Agreement at the rate of fifteen (15%) percent shall equal the sum specified in Section 5.01, Licensee shall actually pay W.S.I. an amount equal to seven and one-half (7½%) percent of said gross charge.

5.03 In the event that a service involving Radioactivity Well Surveying is one of a combination of several different services conducted by Licensee for the same customer on the same setup, at the same well and for a single price which is different from the total of the individual charges customarily made by Licensee for such services if performed separately, the "gross charge" for determining the royalty payable on such service involving Radioactivity Well Surveying shall be that proportion of the single price charged for said combined service which the individual charge customarily made by Licensee for the particular service involving Radioactivity Well Surveying is of the total of the individual charges made by Licensee for each of such services if performed separately. For the purposes of this Section 5.03, a Radioactivity Tracer Logging Service shall be construed as "on the same setup" and "at the same well" even though successive setups or a plurality of wells are actually employed in rendering such a service.

5.04 On or before the 20th day of each month Licensee shall furnish W.S.I. with a report in writing setting forth the following information pertaining to each well survey performed under this license during the preceding calendar month:

(a) Customer;

(b) Invoice number;

(c) Date of invoice;

(d) Amount on which royalty is payable;

and a summary including:

(e) Total, for all well surveys, of amounts specified in Item (d) above;

(f) Total royalty payable (Item (e) multiplied by royalty rate).

Each statement shall be accompanied with payment for the full amount of the total royalty payable for the month in question.

5.05 Licensee shall fix charges for Radioactivity Surveys conducted hereunder in its sole discretion but agrees that royalty payable hereunder shall not be less than would be payable provided such charges were commensurate with the cost and value of said Radioactivity Surveys.

5.06 Licensee shall keep records adequate to verify the reports and payments made pursuant to Section 5.04, and W.S.I. shall have access once annually during regular business hours to Licensee's records to the extent and only to the extent necessary to verify said reports and payments.

5.07 If at any time during the term of this Agreement W.S.I. shall enter an agreement with any other party granting the same license rights under the Present Patents of W.S.I. and the same benefits of W.S.I. research and development work as are herein granted and afforded to Licensee at a royalty rate lower than the rate provided in this Agreement, then and in such event W.S.I. shall make such lower royalty rate available to Licensee for the purpose of computing all royalty payments from Licensee to W.S.I. which may fall due under this Agreement subsequent to the effective date of such agreement with such other party; provided, however, that if such license is granted to another party for whose Radioactivity Surveys W.S.I. is not obligated to pay to Schlumberger Well Surveying Corporation any or as much royalty as for the Radioactivity Surveys of Licensee, W.S.I. shall not be

deemed to have violated this provision by granting to such other party a license at a royalty rate which is lower than that provided in the Agreement by the difference in the royalty rates required to be paid by W.S.I. for the Radioactivity Surveys of Licensee and such other party; provided further that W.S.I. may assign a fair value to patent rights on then-existing inventions or to other considerations of real value received from such other party without being deemed to have violated this provision; and provided further that, if the agreement with such other party contains one or more reasonably applicable provisions which would be less favorable to Licensee, the availability of such lower royalty rate to Licensee shall be contingent upon Licensee's acceptance of such less favorable provisions.

VI. TERMINATION AND SUIT.

6.01 Licensee shall promptly notify W.S.I. of any suit brought against Licensee for patent infringement in the Field of Radioactivity Well Surveying. W.S.I. shall have the right and obligation to defend at its own expense in Licensee's behalf any such suit insofar as said suit is a bona fide suit for patent infringement by use of apparatus acquired from or through W.S.I. or manufactured in accordance with approved W.S.I. design and such apparatus cannot be used in Radioactivity Well Surveying without involving the allegedly infringing use. W.S.I. shall have sole charge and direction of such suit in Licensee's behalf. Licensee shall have the right to be represented by advisory counsel at its sole option and at its own expense.

6.02 In the event that suit for patent infringement is brought against Licensee which W.S.I. is obliged to defend under Section 6.01 hereof, W.S.I. shall have the right to elect in writing to hold Licensee harmless from any judgment or expense arising from said suit insofar as applicable to use of apparatus acquired from or through W.S.I.

If W.S.I. fails to make such election within sixty (60) days of receipt of written notice of said suit from Licensee, Licensee shall have the right to terminate this Agreement within sixty (60) days thereafter, provided that W.S.I. has then not yet made such election and provided further that Licensee shall have promptly notified W.S.I. in writing of any such suit, and shall not have settled any such suit without first having obtained W.S.I.'s consent in writing. If Licensee shall fail to exercise its right of termination within said period, it shall have waived its right of termination for the particular suit brought.

6.03 Upon W.S.I.'s election to hold Licensee harmless, W.S.I. shall, at its option, have the sole right to compromise or settle such suit, and Licensee shall render such reasonable assistance as W.S.I. may request in the defense of such suit. W.S.I. shall have fulfilled its obligation to hold Licensee harmless if W.S.I. has or acquires rights which would avoid the cause of action for such infringement and offers such rights to Licensee without additional cost.

6.04 If Licensee shall neglect or fail to render reports and make payments as and when due hereunder or shall otherwise be in default of any obligation under this Agreement or under any other Agreement between the parties hereto relating to the Field of Radioactivity Well Surveying, W.S.I. shall have the right to give written notice thereof to Licensee, and if within sixty (60) days from and after the date of such notice Licensee shall not have cured such default, then W.S.I. may, at its option, cause this Agreement to terminate forthwith by giving written notice to that effect to Licensee.

6.05 Licensee may terminate this Agreement as of the fifth anniversay date hereof or as of any successive anniversary date thereafter by giving W.S.I. written notice of cancellation at least sixty (60) days prior to the anniversary date on which cancellation is to take effect.

6.06 Unless otherwise terminated pursuant to the provisions hereof this Agreement shall continue in full force and effect until the expiration date of the last W.S.I. patent to expire under which Licensee is licensed hereunder.

6.07 Termination of this Agreement shall not affect the obligations of Licensee to make any payments which shall have accrued up to the date of such termination, and the fact that W.S.I. shall not have terminated this Agreement pursuant to Section 6.04 because of one or more defaults by Licensee shall not prejudice the right of W.S.I. to effect termination for a subsequent default.

6.08. It is recognized that, in event of termination of this Agreement, Licensee may desire to use or sell Radioactivity Well Surveying apparatus previously acquired from W.S.I. or others, and that a further license under W.S.I. patents will then be necessary for such use by Licensee or its vendees of such apparatus as would, if unlicensed, infringe W.S.I. patents; therefore, W.S.I. agrees that in the event the use of said apparatus by Licensee or its vendees shall infringe any one or more W.S.I. patents, it will, following termination of this Agreement, grant upon reasonable terms to Licensee and/or any vendee of such apparatus, a license under W.S.I. patents, licensed under this Agreement at the time of termination, to use such previously acquired apparatus, it being the intention of this provision to give Licensee the right to continue to use and to transfer to a vendee the right to use said apparatus on a reasonable royalty basis as long as any of said W.S.I. patents applicable thereto would be infringed by such use.

VII. Miscellaneous.

7.01. Licensee shall not be estopped to contest the validity of any patent included in Present Patents and Future Patents of W.S.I.

7.02 This Agreement may be assigned by Licensee to a successor of its entire Radioactivity Well Surveying business which successor shall subscribe to the terms and conditions hereof but shall not be otherwise assignable by Licensee without the written consent of W.S.I.

7.03 The addresses of the parties hereto, for the purpose of notices, payments and other communication provided for herein, shall be as follows:

WELL SURVEYS, INCORPORATED
P. O. Box 2656
Tulsa, Oklahoma

WIRELINE, INC.
Box 205
Williston, N. D.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their proper officers duly authorized and their corporate seals to be affixed as of the date first named herein.

WELL SURVEYS, INCORPORATED

By JOHN H. BUCK
*Vice President*

(SEAL)

Attest:

ROBERT K. SCHUMACHER
*Asst. Secretary*

WIRELINE, INC.

By L. C. THAXTON
*President*

Attest:

Signature Illegible
*Secretary*

## EXHIBIT C
## APPENDIX C

SECTION 1.

"Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal: [*Provided,* That nothing contained in sections 1-7 of this title shall render illegal, contracts or agreements prescribing minimum prices for the resale of a commodity which bears, or the label or container of which bears, the trade mark, brand, or name of the producer or distributor of such commodity and which is in free and open competition with commodities of the same general class produced or distributed by others, when contracts or agreements of that description are lawful as applied to intrastate transactions, under any statute, law, or public policy now or hereafter in effect in any State, Territory, or the District of Columbia in which such resale is to be made, or to which the commodity is to be transported for such resale, and the making of such contracts or agreements shall not be an unfair method of competition under section 45, as amended and supplemented, of this title: *Provided further,* That the preceding proviso shall not make lawful any contract or agreement, providing for the establishment or maintenance of minimum resale prices on any commodity herein involved, between manufacturers, or between producers, or between wholesalers, or between brokers, or between factors, or between retailers, or between persons, firms, or corporations in competition with each other.] Every person who shall make any contract or engage in any combination or conspiracy declared by sections 1-7 of this title to be illegal shall be deemed guilty of a misdemeanor, and on conviction thereof, shall be punished by fine not exceeding fifty thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court."

SECTION 2.

"Every person who shall monopolize, or attempt to monopolize or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding fifty thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court."

MOTION FILED

NOV 23 1966

IN THE

# Supreme Court of the United States

OCTOBER TERM, 1965

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No, 366

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McCULLOUGH TOOL COMPANY, ET AL., *Petitioner,*

v.

WELL SURVEYS, INCORPORATED, ET AL., *Respondent.*

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**PETITION FOR REHEARING OF PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT**

**WITH**

**MOTION FOR LEAVE TO FILE AND APPENDIX**

---

EDWARD S. IRONS,
1000 Connecticut Avenue, N. W.
Washington, D. C. 20036

R. WELTON WHANN,
315 West Ninth Street,
Los Angeles, California 90015,

*Attorneys for Petitioner.*

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IN THE

# Supreme Court of the United States

OCTOBER TERM, 1965

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No. 366

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McCULLOUGH TOOL COMPANY, ET AL., *Petitioner,*

v.

WELL SURVEYS, INCORPORATED, ET AL., *Respondent.*

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## MOTION FOR LEAVE TO FILE A PETITION FOR REHEARING

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Petitioner McCullough Tool Company et al., moves the Court for leave to file a second Petition for Rehearing of its order of March 7, 1966, — U.S. —, 15 L. Ed. 2d 851, denying a Petition for Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit in No. *366,* October Term, 1965.

The propriety of certain aspects of the decision below on patent validity issues is *presently* pending before this Court in No. 709, October Term, 1966.*

This motion is based upon the October 11, 1966 conflicting decision of the United States Court of Appeals for the Sixth Circuit in *Rocform Corp.* v. *Acitelli-*

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* No. 709 predominantly relies upon the record lodged in this Court as an incident to the original petition. The same record will be relied upon if the present motion and petition are granted.

*Standard Concrete Wall, Inc.*, — F. 2d —, Appendix, p. 1a. The conflict in decision is of particular significance because it turns upon the proper application of the decisions of this Court, in *Automatic Radio Mfg. Co.* v. *Hazeltine Research*, 339 U.S. 827, 94 L. Ed. 1312, 70 S. Ct. 894 (1948) and *Brulotte* v. *Thys Co.*, 379 U.S. 29, 13 L. Ed. 2d 99, 85 S. Ct. 176 (1965) to misuse defenses advanced in infringement litigation.

The issuance of a subsequent conflicting decision is a proper ground for rehearing; *Sanitary Refrigerator Co.* v. *Winters*, 280 U.S. 30, 34, 74 L. Ed. 147, 50 S. Ct. 9 (1929) footnote 1; even where the petition is filed outside the time specified by the applicable rule, *United States* v. *Ohio Power Co.*, 353 U.S. 98, 1 L. Ed. 2d 683, 77 S. Ct. 652 (1957); *Clark* v. *Manufacturers Trust Co.*, 337 U.S. 953, 93 L. Ed. 1754, 69 S. Ct. 1526 (1949); 338 U.S. 241, 242, 94 L. Ed. 31, 70 S. Ct. 4 (1949); *Stone* v. *White*, 300 U.S. 643, 81 L. Ed. 858, 57 S. Ct. 610 (1937). When justice so requires, such petitions are properly granted under 28 U.S.C. §§452, 1651 and 2106.

It is accordingly and respectfully requested that the following Petition for Rehearing be accepted for filing and granted.

Dated: November 22, 1966.

Respectfully submitted,

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## PETITION FOR REHEARING OF PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

Petitioner prays that this Court grant a rehearing of its order of March 7, 1966 — U.S. —, 15 L. Ed. 2d 851 denying the Petition for Writ of Certiorari and that a Writ of Certiorari issue to review the judgment of the U. S. Court of Appeals for the Tenth Circuit in the above-entitled case as prayed for in the original petition filed July 19, 1965 herein (No. 366, October Term, 1965).

## THE INTERVENING CIRCUMSTANCES

The "intervening circumstance(s) of substantial and controlling effect" (Rule 58) on which this petition for rehearing is predicated is the conflicting October 11, 1966 decision of the United States Court of Appeals for the Sixth Circuit in *Rocform Corp.* v. *Acitelli-Standard Concrete Wall, Inc.*, — F. 2d — (App. p. 1a). (One judge dissenting.)

The conflicting *Rocform* decision is the most recent instance of the rapidly escalating confusion in the lower federal courts with respect to the proper application of *Automatic Radio Mfg. Co.* v. *Hazeltine Research*, 339 U.S. 827, 94 L. Ed. 1312, 70 S. Ct. 894 (1948) and *Brulotte* v. *Thys Co.*, 379 U.S. 29, 13 L. Ed. 2d 99, 85 S. Ct. 176 (1965) in which the petitioners sought relief from voluntary license contracts, to the defense of misuse asserted by a nonlicensed third party against a patent holder seeking equitable relief from infringement.

## THE QUESTIONS PRESENTED

The following question, decided by the court in *Rocform*, raises the same issues as the misuse question 1 presented by the original petition in this case:

> (1) Is a package patent license which includes an "important patent (about to expire) . . . grouped with others of longer duration", which license provides for "no diminution of the license fee at the expiration of the most important patent and contains no termination clause at the will of the licensee", "an effort to continue to collect royalties on an expired patent" and hence, a misuse precluding the licensor from enforcing the important patent in an infringement suit against a third party?"[1]

In *Rocform*, the Court of Appeals for the *Sixth* Circuit answered this question

"Yes".

In the decision below, the Court of Appeals for the *Tenth* Circuit answered this question

"No".

## THE CONFLICT IN DECISION

The conflict on this fundamental misuse question is a consequence of an equally sharp divergence of opinion between the Sixth Circuit and the Tenth Circuit with respect to the decisions of this Court in *Automatic Radio* and *Brulotte*. These two Courts of Appeals have taken directly conflicting positions on the appli-

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[1] The quotations in the question are from the *Rocform* decision. App., pp. 6a-7a.

cation of these important cases to misuse defenses raised by defendants in infringement litigation. In so doing, the Sixth Circuit has allied itself with the prior decisions of the Third Circuit in *American Securit Co. v. Shatterproof Glass Corporation*, 268 F. 2d 769, 776, 777 (1959) *cert. den.*, 361 U.S. 902, 4 L. Ed. 2d 157, 80 S. Ct. 210 (1959) which the Tenth Circuit has expressly rejected.

## THE ROCFORM DECISION—SIXTH CIRCUIT. OCTOBER 11, 1966

In *Rocform*, the Court was faced with a "package" patent license. The single patent placed in issue in the infringement litigation was the most important patent in the package and would expire at an early date, i.e., October 17, 1967, whereas the patents of lesser importance in the package were of longer duration.

The majority in *Rocform* stated the misuse question thus posed as follows:

> "The District Judge also pointed out that the patent in suit had an early termination date (October 17, 1967), but the Rocform standard license agreement provided no reduction of license fees or termination date (except with penalties on the licensee's default)....
>
> * * * * * * * * *
>
> "In the instant case the District Judge said, ... 'Upon expiration of the patent in suit the consideration for the grant of the [package] license becomes substantially devaluated * * *.' The District Judge's findings make it clear that the patent in suit which expires in 1967 is the most important consideration for the license." (Insert added.) (App., pp. 3a, 5a)

The Sixth Circuit then affirmed the trial court's holding of misuse on the authority of *Brulotte*, and in so doing, distinguished *Automatic Radio*. The majority opinion is quoted in *extenso* because it emphasizes by reference to the *dissent*, the fundamental conflict generated in the lower federal courts by the *Brulotte* and *Automatic Radio* decisions.

The majority in *Rockform* held:

> "We believe that the District Judge was correct in viewing this licensing agreement as an illegal attempt to extend the patent in suit. It contains no termination clause running to the benefit of the licensee. See 3A Corbin, Contracts § 761 (1960). After the expiration of the patent in suit, Rocform's licensees would continue to pay the same fees as are provided during the life of the crucial patent.
>
> "The dissent in this case asserts that appellee is not entitled to claim patent misuse absent proof of a demand for the patent in suit as a separate item.
>
> "Clearly, where a licensee seeks relief from a patent package contract which he has signed voluntarily, he should be able to show a demand by him (and a refusal!) for the desired patent or patents as a separate item or items. Automatic Radio Co. v. Hazeltine, 339 U.S. 827, 85 USPQ 378 (1950). Such a demand is not, however, held essential to a defense of misuse when the patent-holder seeks equitable relief from infringement while still pursuing the illegal practice. Morton Salt Co. v. Suppiger Co., 314 U.S. 488, 52 USPQ 30 (1942).[2]
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> * * * * * * * * *

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[2] In *direct conflict*, the decision below failed to recognize any *distinction* between *Automatic Radio* where the petitioner sought relief from a voluntary license *contract* and the defense of *misuse*

"The dissent also contends that a flat price for use of a number of patents is permissible practice up to the termination date of 'the last necessary patent.'

"We believe this is too broad a contention. We do not deal here (as did the Supreme Court in Brulotte v. Thys Co., supra) with the sale of a piece of machinery which incorporated a number of patents. Rather we deal with a licensing arrangement where one important patent (about to expire) is grouped with others of longer duration for 'leverage.' Cf. American Securit Co. v. Shatterproof Glass Corp., supra.

"We believe such a contract, when it contains no diminution of license fee at the expiration of the most important patent and contains no termination clause at the will of the licensee, constitutes,

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asserted by the petitioner in this case against the respondent who seeks equitable relief in an infringement suit.

The court below said, with respect to respondent's licenses (which in all material respects are the same as the licenses found to constitute a misuse in *Rocform*).

"The validity of such an agreement was upheld by the Supreme Court in Automatic Radio Mfg. Co. v. Hazeltine Research, Inc., 339 U.S. 827. The facts in that case are almost identical with the facts in this case. There, as here, the license agreements offered by the patentee were of the so-called package type and included all of its present and future patents. The package licenses were offered for a flat percentage of the licensee's operations, whether or not any of the patents were used. There, as here, some but not all of the patents had expired before the license agreement in question was executed and more of them would expire during the effective period of the agreement. The Court held that the royalty provision did not create a monopoly or operate as a restraint of trade. It noted that there was no evidence to show that the patentee had '* * * refused to grant a license under any one or more of its patents to anyone who refused to take a license under all * * *' ..." (App. to original Petition, p. 53a)

in effect, an effort to continue to collect royalties on an expired patent. Brulotte v. Thys Co., supra; American Securit Co. v. Shatterproof Glass Corp., supra."[3] (App., pp. 5a-7a)

## THE DECISION BELOW

The Tenth Circuit in the decision below, reached an exactly contrary result on the *very same* misuse question.

Like the defendant in *Rocform,* petitioner here is *un*licensed and asserts a defense of misuse against respondent, a patent holder seeking equitable relief while still pursuing illegal licensing practices. Petitioner does *not,* like the defendants in *Automatic Radio* and *Brulotte,* seek relief from a license contract which he signed voluntarily.

In *this* case, as in *Rocform,* the challenged license is for a package of patents, the most important of which would expire during the license term. As in *Rocform,* the "important patent (about to expire) is grouped together with others of longer duration for 'leverage' ".

The court below held:

"The record also shows that the royalty base in many, if not all, of the license agreements includes

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[3] The court below embraced a "broad" contention rejected by the majority and adopted by the dissent in *Rocform* stating:

"We certainly recognize the principles enunciated in Brulotte and the other cases but think there are important distinctions between those cases, on the one hand, and the Hazeltine case and this case, on the other. In Brulotte and Ar-Tik the license agreement under consideration attempted to extend the period for paying royalties beyond the date of expiration of the last of the patents covered by the agreement. That is not the case here or in Hazeltine. . . ." (App. to original Petition, pp. 54a-55a)

operations covered by patents that expired after the agreements were entered into by the parties.[8] In addition, the trial court found, and the evidence confirms, that WSI continued to the date of judgment below to grant licenses in which the royalty base includes receipts derived from operations covered by the expired Bender Reissue and Fearon Patents, except in instances where the licensee has accepted WSI's offer to license its patents on a narrower basis.[9] " (App. to original Petition pp. 51a-52a)

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"[8] These are, of course, the Bender Reissue Patent, which expired on October 18, 1955, and the Fearon Patent which expired on January 12, 1960.

"[9] The finding reads as follows:

" 'WSI has continued to the date of this finding to grant licenses in which the royalty base is all of the licensee's receipts from radioactivity well logging operations, including those covered by the expired Bender and Fearon neutron patents, except where the licensee has accepted WSI's offer to grant a license on an individual patent basis or on some other narrower basis. WSI continues to the date of this finding to receive royalty payments from one or more of its licensees calculated on a royalty base which includes receipts of the licensee from operations covered by the said expired Bender and Fearon patents.' "

Earlier in its opinion, the court below held that Bender was "A primary or pioneer patent . . ." entitled to "a broad and liberal range of equivalence" and that Fearon which "constitutes a marked improvement in the art" (App. to original Petition, p. 36a) is entitled to a substantial range of equivalence. There were 70 to 75 other patents, of a minor improvement nature included in the package.

As in *Rocform,* the respondent's licenses "contains no diminution of license fee at the expiration of the most important patent and contains no termination clause at the will of the licensee . . ." (App., pp. 6a-7a)

The respondent's practices here relevant are typified by the license agreement with Lane-Wells, dated June 1, 1956.[4] Pursuant to this representative agreement, royalty is paid "on each well surveyed under this *license*" (Par. 5.02). The *"license"*, in turn, is granted broadly "to practice Radioactivity Well Surveying for others for hire" (Par. 2.01). These two provisions thus expressly require royalty payments on any activity which falls within the licensed field of "Radioactivity Well Surveying". This *field*, in turn, is defined in paragraph 2.01 in terms sufficiently broad to cover operations effected *only* under the Bender patent which expired in 1955 *before* the agreement was consummated and also *only* under the Fearon patent *which would* expire on January 21, 1960.[5]

Paragraph 6.04 precludes termination of the agreement by Lane-Wells, the licensee, until "the fifth anniversary of the date hereof"—in other words, until June 1, 1961, some 18 months *after* the Fearon expiration date. Even on the "fifth anniversary" the licensee Lane-Wells was required to cancel as to "all patents, whether wanted or unwanted under the license". To continue a license under the unexpired Swift patent, Lane-Wells was *obligated* to continue to pay an *undiminished* royalty on *all* operations within "Radio-

[4] Ex. 501, First Book of Contracts, Agreement No. 11, a copy of which constitutes Appendix B, pp. 2a-12a, of petitioner's "Reply Brief in Support of Petition for Writ of Certiorari" previously filed in this Court on October 3, 1965.

[5] This, of course, is the basis for Findings of Fact 122 (App. to original Petition, p. 109a) and 127 (App. to original Petition, p. 110a) summarized in the acknowledgment by the court below that "The record also shows that the royalty base in many, if not all, of the license agreements includes operations covered by patents that expired after the agreements were entered into by the parties." (App. to original Petition, pp. 51a-52a).

activity Well Surveying" and hence, under the spent Bender and Fearon monopolies. As in *Rocform*, the respondent's licenses contain "no diminution of the license fee at the expiration of the most important [Fearon] patent".[6]

## CONCLUSION

The Petition for Rehearing should be granted. Resolution of the conflict in the circuits on the fundamental misuse issue presented should not be foreclosed merely because of the timing of the *Rocform* decision.

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[6] The respondent's licensing arrangements are even more objectionable than those before the court in *Rocform*, because of the express—and illegal—obligation to pay royalty on the Bender invention which was already in the public domain when the license was consummated.

# APPENDIX

COURT OF APPEALS, SIXTH CIRCUIT

No. 16261

ROCFORM CORPORATION

v.

ACITELLI-STANDARD CONCRETE WALL, INC.

Decided Oct. 11, 1966

Before O'SULLIVAN, EDWARDS, and CELEBREZZE, Circuit Judges.

EDWARDS, Circuit Judge.

This is a patent infringement action brought by plaintiff-appellant Rocform Corporation against defendant-appellee Acitelli-Standard Concrete Wall, Inc. The patent in suit is No. 2,526,529, issued October 17, 1950, for a "Prefabricated Wall Form" for pouring concrete basement walls. The patent in suit will expire October 17, 1967.

Plaintiff claims defendant infringed the patent by employing it in pouring basement walls without paying any license fee.

In defense, defendant Acitelli claimed invalidity of the patent and denied infringement. Defendant also defended by alleging that Rocform had misused its patent. This appeal is derived from a trial in the United States District Court for the Eastern District of Michigan wherein testimony was taken on the misuse issue only, after defendant had conceded (for purposes of that hearing) that the patent was valid and infringed.

At the conclusion of this hearing the District Judge entered lengthy findings of fact and conclusions of law, finally concluding, 143 USPQ 405, 414:

> "In this action for infringement of a patent by defendant, the defense of misuse of the patent in suit,

by attempting to extend patent monopoly beyond the expiration date of the patent, has been established and is a valid defense.

"Due to misuse of the patent in suit by plaintiff, as owner thereof, this action will be dismissed for want of equity."

On appeal plaintiff-appellant Rocform contends that this record discloses no coercion; that there is no evidence of misuse of the patent, and that mandatory package licensing of "interlocking" patents is not a misuse.

The record in this appeal shows that Rocform had signed standard licensing agreements with 189 builders. Acitelli had been one of these, as an individual builder; but after incorporation his company came into possession of a set of Rocform forms which it proceeded to use without a license. Rocform offered to license defendant, but only under its standard license agreement, which offer defendant refused.

The virtues of the patent in suit in its use in house-building are that it allows a builder to set forms for pouring concrete basement walls rapidly and then disassemble and reemploy substantially all of the fixtures and material from that set of forms for other jobs. The District Judge found that the system gave its users a competitive advantage.

Plaintiff Rocform did not issue licenses under this patent (or any of its other patents), but did license builders to build under "The Rocform System." The District Judge who heard this case described this license agreement in his findings, 143 USPQ at 408:

"Under provisions of the license agreement,

"Licensor grants to licensee a non-exclusive license to use the Rocform System in accordance with terms thereof, agrees while the agreement is in effect to sell

to licensee all necessary Rocform panels and hardware and to replace and repair without charge worn out or damaged hardware, and authorizes use of the words 'Rocform System' in promotion and advertising;

"Licensee agrees to pay for the equipment and to pay a license fee for each basement he casts (license fees vary from approximately $10.00 to $25.00 per basement cast, depending on size);

"It is acknowledged and agreed that 'certain features, hardware and accessories used in and being a part of the Rocform System' are covered by patents and licensor stipulates that any further improvement in the system shall be made available to licensee for use under the agreement;

"The agreement and license is revoked, remanded and terminated upon default in payments or in any condition imposed by the license on use of the system."

The District Judge also pointed out that the patent in suit had an early termination date (October 17, 1967), but the Rocform standard license agreement provided no reduction of license fees or termination date (except with penalties on the licensee's default). After a careful review of the license and its use, he concluded, 143 USPQ at 412:

"The license is, in the view of this Court, primarily a patent license and other features thereof are only incidental to the grant of use of patents. Upon a careful reading of the license agreement it is apparent that the prime consideration for the license fee is the grant to use the Rocform System which cannot be used without using the patent in suit and other patents. The services which are included in the consideration for the license are disproportionate to the license fees stipulated therein."

We regard this language and the District Judge's other findings as holding that plaintiff-appellant employed the patent in suit so as to coerce (or attempt to coerce) this defendant to purchase the Rocform System and thus to purchase other patents and unpatented materials and services.

We have reviewed the basic findings of fact of the District Judge against the record. In our view there is substantial evidence to support them and they are not clearly erroneous. In this situation we cannot properly set them aside. Toledo Scale Corp. v. Westinghouse Electric Corp., 351 F.2d 173, 147 USPQ 125 (C.A. 6, 1965); Graver Tank & Mfg. Co., Inc. v. Linde Air Products Co., 336 U.S. 271, 80 USPQ 451 (1949), rehearing granted, 337 U.S. 910 (1949), aff'd, 339 U.S. 605, 85 USPQ 328 (1950).

But appellant contends that some (if not all) of the District Judge's findings of fact are really interpretations of the license agreement and hence that they should not be reviewed under the clearly erroneous rule. Crosley Radio Corp. v. Dart, 160 F.2d 426, 73 USPQ 26 (C.A. 6, 1947). To the extent that our affirmance depends upon interpretation of that document, we have inspected and considered it and agree with the interpretations placed thereon by the District Judge.

This brings us to the legal conclusions in this case. Plaintiff-appellant contends that the license agreement (even if properly described above) was a mandatory packaging agreement for interlocking patents related to producing one product and hence valid under International Mfg. Co. v. Landon, Inc., 336 F.2d 723, 142 USPQ 421 (C.A. 9, 1964), cert. denied, 379 U.S. 988, 144 USPQ 780 (1965); see also Standard Oil v. United States, 283 U.S. 163, 171, 9 USPQ 6, 10 (1931).

[1] The District Judge, however, did not find this standard licensing agreement illegal per se because it repre-

sented mandatory patent package licensing. He found plaintiff's license agreement illegal because it contained no termination clause and hence represented an attempted illegal extension of the patent in suit.

In the recent case of Brulotte v. Thys Co. the Supreme Court said:

> "A patent empowers the owner to exact royalties as high as he can negotiate with the leverage of that monopoly. But to use that leverage to project those royalty payments beyond the life of the patent is analogous to an effort to enlarge the monopoly of the patent by tieing the sale or use of the patented article to the purchase or use of unpatented ones. See Ethyl Gasoline Corp. v. United States, 309 U.S. 436, 44 USPQ 614; Mercoid Corp. v. Mid-Continent Inv. Co., 320 U.S. 661, 664-665, 60 USPQ 21, 24, and cases cited." Brulotte v. Thys Co., 379 U.S. 29, 33, 143 USPQ 264, 266 (1964).

In the instant case the District Judge said, 143 USPQ at 412: "Upon expiration of the patent in suit the consideration for the grant of the license becomes substantially devaluated * * *." The District Judge's findings make it clear that the patent in suit which expires in 1967 is the most important consideration for the license.

We believe that the District Judge was correct in viewing this licensing agreement as an illegal attempt to extend the patent in suit. It contains no termination clause running to the benefit of the licensee. See 3A Corbin, Contracts § 761 (1960). After the expiration of the patent in suit, Rocform's licensees would continue to pay the same fees as are provided during the life of the crucial patent.

The dissent in this case asserts that appellee is not entitled to claim patent misuse absent proof of a demand for the patent in suit as a separate item.

[2] Clearly, where a licensee seeks relief from a patent package contract which he has signed voluntarily, he should be able to show a demand by him (and a refusal!) for the desired patent or patents as a separate item or items. Automatic Radio Co. v. Hazeltine, 339 U.S. 827, 85 USPQ 378 (1950). Such a demand is not, however, held essential to a defense of misuse when the patentholder seeks equitable relief from infringement while still pursuing the illegal practice. Morton Salt Co. v. Suppiger Co., 314 U.S. 488, 52 USPQ 30 (1942).

On this point the District Judge said, 143 USPQ at 414:

> "If defendant's hands be unclean in that it made no bona fide application to plaintiff for licensing, or for any other reason indicated by the facts in this case, such uncleanliness will not render plaintiff's hands clean if it is attempting to unlawfully extend its patent monopoly."

Cf. Amercian Securit Co. v. Shatterproof Glass Corp., 268 F.2d 769, 776, 122 USPQ 167, 173 (C.A. 3, 1959), cert. denied, 361 U.S. 902, 123 USPQ 589 (1959).

The dissent also contends that a flat price for use of a number of patents is permissible practice up to the termination date of "the last necessary patent."

We believe this is too broad a contention. We do not deal here (as did the Supreme Court in Brulotte v. Thys Co., supra) with the sale of a piece of machinery which incorporated a number of patents. Rather we deal with a licensing arrangement where one important patent (about to expire) is grouped with others of longer duration for "leverage." Cf. American Securit Co. v. Shatterproof Glass Corp., supra.

We believe such a contract, when it contains no diminution of license fee at the expiration of the most important patent and contains no termination clause at the will of

the licensee, constitutes, in effect, an effort to continue to collect royalties on an expired patent. Brulotte v. Thys Co., supra; American Securit Co. v. Shatterproof Glass Corp., supra.

[3] Since, however, the patent is presumptively valid and the complained of extension would not take place until October 17, 1967, we have considered the propriety of granting plaintiff relief from infringement until the defendant could show damage from the illegal extension. We have concluded, however, that there is no merit in employing the equity powers of the federal court to force defendant to enter into an agreement which is plainly illegal, even if the damages therefrom be future ones.

In Morton Salt the United States Supreme Court said:

> "It is a principle of general application that courts, and especially courts of equity, may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest. Virginia Ry. Co. v. Federation, 300 U.S. 515, 552; Central Kentucky Co. v. Railroad Commission, 290 U.S. 264, 270-73; Harrisonville v. Dickey Clay Co., 289 U.S. 334, 337-38; Beasley v. Texas & Pacific Ry. Co., 191 U.S. 492, 497; Securities & Exchange Comm'n v. U.S. Realty Co., 310 U.S. 434, 455; United States v. Morgan, 307 U.S. 183, 194." Morton Salton Salt Co. v. Suppiger Co., supra at 492, 52 USPQ at 32.

The license agreement can, of course, readily be amended. It seems clear to us that the District Judge was correct in denying plaintiff the use of the equity powers of the court until and unless it purges itself of the practice identified above as representing patent misuse. Preformed Line Products Co. v. Fanner Mfg. Co., 225 F.Supp. 762, 124 USPQ 288 (N.D. Ohio, 1960), aff'd, 328 F.2d 265, 140 USPQ 400 (C.A. 6, 1964), cert. denied, 379 U.S. 846, 143

USPQ 464 (1964); B. B. Chemical Co. v. Ellis, 314 U.S. 495, 52 USPQ 33 (1942).

Affirmed.

O'Sullivan, Circuit Judge, dissenting.

I am unable to join the conclusion of my brothers. Defendant concedes that it is infringing a valid patent. The judgment before us allows it to continue. This is because a contract then in use by plaintiff, and which defendant refused to sign, licensed the use of all of plaintiff's patents; and because the contract would continue unchanged as individual patents expired until the expiration of the final patent; and because plaintiff had a patent; and because plaintiff had a policy of not selling the materials which could be used to infringe its "combination" patents unless licenses were first taken.

Without any prior attempt to obtain a license to do so, defendant began infringing the patent in suit. Plaintiff threatened that it would sue unless defendant entered into the agreement then in use by plaintiff where by it licensed builders to use "The Rocform System." This agreement made no reference to any particular patents, but contained the following provisions:

> "8. It is hereby acknowledged and agreed that certain features, hardware and accessories used in and being a part of the Rocform System are covered by letters of Patent for the protection of the Licensor and that it has good title thereto and the right to grant this license, and Licensor stipulates that any further improvement in its system developed by or for it shall be available for use hereunder by licensee, and,
>
> "9. The licensee hereby agrees not to dispute the validity of any Letters of Patent or the title of the Licensor thereunder nor aid others in doing so, and,"

The proofs established that it had been plaintiff's policy to require the signing of such a contract as a condition to use of its system. Use of the Rocform System required employment of the patent in suit, which will not expire until October 17, 1967. At the time here involved, plaintiff owned several other unexpired patents related to and useable in the processes of the Rocform System. The contract would require a licensee to continue to pay a stipulated fee so long as the Rocform System was used by a licensee.[1] When requested to sign the Rocform System contract, defendant refused, without suggesting that any other agreement would be acceptable or making any request that it be given a license limited to the patent which it was infringing. Cf. McCullough Tool Co. v. Well Surveys, Inc., 343 F.2d 381, 408, 145 USPQ 6, 27 (CA 10, 1965), cert. den. 383 U.S. 933, 148 USPQ 772.

It is clear indeed that misuse of a patent denies its fruits to the patentee. Such misuse may consist of coercing the acceptance of unwanted licenses to gain the use of a desired patent—mandatory packaging. American Securit Co. v. Shatterproof Glass Corp., 268 F.2d 769, 122 USPQ 167 (CA 3, 1959); it may arise from coercing the purchase of unpatented material as a condition to use of a valid patent —illegal tying. Morton Salt Co. v. G. S. Suppiger Co., 314 U.S. 488, 52 USPQ 30 (1942), reh. den. 315 U.S. 826 (1942); it may consist of attempting to extend the monopoly of a patent after it has expired, Brulotte v. Thys. Co., 379 U.S. 29, 143 USPQ 264 (1964); Prestole Corp. v. Tin-

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[1] There was a provision in the contract for automatic termination upon any failure of the licensee to remit payments within thirty days. Presumably this could be used to terminate the agreement whenever a licensee decided he only needed to use devices on which the patents had already expired. Upon the happening of such event, a licensee would be responsible for any sums then due and unpaid and for damages for "the continued *unlawful* use" of the system.

nerman Products, Inc., 271 F.2d 146, 123 USPQ 242 (CA 6, 1959) cert. den. 361 U.S. 964, 124 USPQ 535 (1960).

Defendant's position here is that it is entitled to free use of plaintiff's patent because plaintiff had in the past entered into 189 license agreements with users of the Rocform System containing provisions which, if they had been coerced, would not be enforceable and because plaintiff requested defendant to sign such a contract. We consider that the District Judge was correct in his statement that coercion was essential to a finding of misuse, 143 USPQ at 413-414:

> "Licensing of several patents in single license agreement does not constitute patent misuse unless element of coercion is present, such as where there has been request by prospective licensee for license under less than all patents and refusal of by licensor to grant such license. Eversharp, Inc. v. Fisher Pen Co., 1961, 204 F.Supp. 649, 132 USPQ 423."

He was of the view that, there being no evidence of coercive practices in the making of plaintiff's previous 189 license agreements, such licensing contracts did not constitute misuse of a patent. He said, 143 USPQ at 414,

> "* * * present licensees of plaintiff could contract with it as they choose; if the consideration was acceptable to them, in return for the package patent license and services to be performed thereunder, and it has not been shown that any licensee requested but was refused a grant of a license to use one patent only upon acceptance of a license to use more than one patent, no mandatory package patenting has been established as to such licensees."

He found misuse, however, in the case of plaintiff's offer of a like contract to defendant, primarily, as we view it,

because defendant refused to accept such a contract. He said, 143 USPQ at 414,

> "But plaintiff offered to defendant, and defendant refused, plaintiff's standard license on the ground, primarily, that defendant would be required to continue payment of royalties after expiration in 1967 of the basic wallform patent, if it entered into such licensing agreement."

The District Judge's observation that this refusal was "on the ground, primarily, that defendant would be required to continue payment of royalties after expiration in 1967 of the basic wall-form patent, if it entered into such licensing agreement" involved a misunderstanding of the evidence. The defendant tacitly concedes this now, saying in its brief only that such was "*probably* one of Acitelli's reasons for its refusal to become a licensee." (Emphasis added.) The fact is that defendant Acitelli's repreesntative who talked with plaintiff about Acitelli's admitted infringement of the patent in issue, gave no reason for refusing to sign the offered contract; it asked for no modification of it, it did not ask to be licensed alone under the patent in suit; it merely refused and went on infringing.

For the view I express I concede arguendo that plaintiff's previous agreements licensing its Rocform System would have been unenforceable if coerced and that had defendant sought and been refused a license for less than all of plaintiff's patents, the plaintiff could be found guilty of misuse. That, however, is not what happened. I read defendant's position to be that, without any showing of intent to coerce, plaintiff, having once proposed that defendant sign its regular licensing contract, thereby surrendered all right to enforce its patent; that such request alone gave defendant the privilege of appropriating the patent to its own free use. I find such position invalid.

Relevant to whether defendant had been coerced, the District Judge said, 143 USPQ at 414,

> "If defendant's hands be unclean *in that it made no bona fide application to plaintiff for licensing,* or for any other reason indicated by the facts in this case, such uncleanliness will not render plaintiff's hands clean if it is attempting to unlawfully extend its patent monopoly." (Emphasis supplied.)

I read the majority opinion as holding that, without reference to coercion, the Rocform contract was illegal per se because, as viewed by them, Rocform was attempting to extend the life of one of its patents. But the majority also apparently assume that an element of coercion was indeed present, by stating that the District Judge held that

> "plaintiff-appellant employed the patent in suit so as to coerce (or attempt to coerce) this defendant to purchase the Rocform System and thus to purchase other patents *and unpatented materials and services.*" (Emphasis supplied.)

Such conduct would result in an illegal tie-in, but I do not interpret the District Judge's opinion as so holding, nor would the proofs justify such a conclusion.

## I. Patent Extension

I do not consider that fixing one price for use of the Rocform System and any one or all of Rocform's patents constitutes illegal patent extension where no coercion was employed. Because the contract may continue past the date, 1967, when the patent in suit expires, does not mean that its monopoly is thereby extended. The majority opinion seemingly rests on the fact that "After the expiration of the patent in suit, Rocform's licensees would continue to pay the same fees as are provided during the life of the crucial patent," and the inference therefrom

that some part of the license fees after 1967 would necessarily have to be attributed to an extension of the return from the patent which expired in that year. But this is not so. The price which a builder is willing to pay to use the Rocform System remains a constant, and it is immaterial to the builder whether the most effective use of that system is controlled by ten unexpired patents, or by the very last of those ten patents to expire. Such seems to be the clear implication of the Supreme Court's holding in Brulotte v. Thys Co., 379 U.S. 29, 30, 143 USPQ 264, 265 (1964): "We conclude that the judgment below must be reversed insofar as it allows royalties to be collected which accrued after the *last* of the patents incorporated into the machine had expired." (Emphasis added.) The majority would hold the Rockform contract illegal before the expiration of the first patent.

2. Illegal Tie-in

There was a complete lack of proof that plaintiff had made any attempt to use the leverage of its patent monopoly to extend its power into another market, cf. Times-Picayune Pub. Co. v. United States, 345 U.S. 594 (1953). The District Judge specifically found, 143 USPQ at 408: "Under the license agreement plaintiff obligates himself to furnish all necessary equipment but *licensees are not required to purchase any equipment from plaintiff*, * * *" and again, "While *the license agreement does not obligate a licensee to purchase any equipment* whatsoever * * *." (Emphasis added.) The only basis for any holding that there has been an illegal tie is a finding by the district judge that "Plaintiff will refuse to sell any of the wall forming equipment to non-licensees." Apart from the fact noted above that this seems a perfectly reasonable attitude for the holder of a combination patent to take, whatever else it might be, the policy complained of could not be construed as misuse of the *patent*.

In the absence of any proof of coercion or attempt to extend the patent monopoly beyond the term of the last necessary patent, there is no ground for a finding of misuse. Contrast McCullough Tool Co. v. Well Surveys, Inc., 343 F.2d 381, 408-410, 145 USPQ 6, 27-29 (CA 10, 1965) and Automatic Radio v. Hazeltine, 339 U.S. 827, 85 USPQ 378 (1950), with United States v. Paramount Pictures, Inc., 334 U.S. 131, 156-159, 77 USPQ 243, 252-253 (1948), and Brulotte v. Thys Co., 379 U.S. 29, 30, 33, 143 USPQ 264, 265, 266 (1964).

The majority recognize that defendant has appropriated plaintiff's patent without request for a license therefor, but withhold relief by asserting that "there is no merit in employing the equity powers of the federal court *to force defendant to enter into an agreement which is plainly illegal*, even if the damages therefrom be future ones." (Emphasis supplied.) But plaintiff's complaint does not ask such relief—it seeks only the enjoining of defendant's infringement of its patent and damages flowing therefrom.

I would reverse the judgment.

Office-Supreme Court, U.S.
FILED
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JOHN F. DAVIS, CLERK

# In the Supreme Court of the United States

OCTOBER TERM, 1965.

No. 366.

McCULLOUGH TOOL COMPANY, *et al.*,

*Petitioner,*

vs.

WELL SURVEYS, INCORPORATED, *et al.*,

*Respondent.*

## BRIEF OF RESPONDENT IN OPPOSITION TO MOTION FOR LEAVE TO FILE SECOND PETITION FOR REHEARING.

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The original Petition for Writ of Certiorari in this case was denied on March 7, 1966. The first Petition for Rehearing was denied on May 16, 1966.

Petitioner's present motion for leave to file a second petition for rehearing was filed November 23, 1966, eight months after denial of the original petition for certiorari, and in a later term. In absence of special leave—which Petitioner is asking this Court to grant—the present petition is clearly out of rule under Rule 58(1), (2) and (4).

Respondent recognizes that this Court has the power, in the interests of justice, to grant leave to file petitions for rehearing out of rule, and that this power is sometimes exercised where this Court has granted certiorari to review a decision from another circuit, which is directly contrary to the decision in question. *United States v. Ohio Power Co.*, 350 U. S. 98 (1957).

We submit, however, that such leave should be granted only when the conflict between the decisions is clear, and the injustice of adhering to the rules would be real—particularly in cases which have been pending as long as this one.

Some of the language of the Sixth Circuit in the *Rocform* case may arguably be inconsistent with some of the language of the Tenth Circuit in the instant case. However, we wish to point out to this Court that there is no conflict between the *decisions* in the two cases.

In *Rocform*, the only license ever offered by the patentee to the trade was the package license in which the royalty continued undiminished, without right of cancellation, after the principal patent expired. 189 licensees had taken licenses in this form, and the Court had found that the patentee had attempted to coerce its acceptance.

The situation in the instant case is entirely different. In the spring of 1956, Petitioner offered publicly to license any or all of its patents individually on negotiated reasonable terms, and offered all its existing licensees the opportunity to terminate their existing agreements and negotiate new ones on reasonable terms covering any patents the licensee desired. The District Court found in Finding 120 (Appendix to original Petition, page 108a):

> "After June 1, 1956, WSI has been willing to grant licenses under its patents individually or collectively upon negotiated reasonable terms. While after June 1, 1956, prospective licensees were urged to accept license under one of the package forms of license, this was done as a matter of salesmanship upon the theory that the package would best serve the needs of the licensee. There was no coercion of licensees contracting subsequent to June 1, 1956 to accept license under all of the WSI patents unwillingly."

And in Finding 122 (Appendix, page 109a):

> "While the royalty base employed in the standard license agreements made by WSI after June 1, 1956 included or purported to include operations covered by the expired Bender patent, the extension of the royalty base to cover practice of expired patents was not coerced, after June 1, 1956, but was voluntary upon the part of the licensees, who were offered a real alternative by WSI's offer to grant a license under any individual patent or patents upon negotiated terms."

Likewise, the Tenth Circuit stated (at 55a):

> "In both this case and *Hazeltine*, the package license was purely voluntary, and a licensee who did not want the whole package could obtain a license on a reasonable basis covering any particular patent he did want."

There is no conflict between the decision in the *Rocform* case and in the instant case, and we submit that Petitioner's motion for leave to file a second petition for rehearing should be denied.

In the event that the Court sees fit to grant Petitioner's motion, we desire the opportunity, in opposition to the Petition for Rehearing, to point out more fully the many differences between the two cases.

Respectfully submitted,

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